



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, April 26, 2017 at 10:30 a.m.

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

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

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

Call to Order

Pledge of Allegiance

Director Steel

1. Public Comments

Special Calendar

2. Draft Southern California Regional Rail Authority Fiscal Year 2017-18 Budget Update

Jennifer L. Bergener/James G. Beil

Overview

Metrolink staff will present a verbal overview of the draft Southern California Regional Rail Authority's proposed share of operating, rehabilitation, and capital expenses for Metrolink commuter rail service.



Consent Calendar (Items 3 through 12)

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

3. Approval of Minutes

Approval of the minutes of the March 22, 2017 Finance and Administration Committee meeting.

4. Investment Management Service Contracts, Internal Audit Report No. 17-504 Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of Investment Management Service Contracts. Based on the audit, contract compliance and invoice review controls are generally adequate; however, several concerns were identified related to the procurement of treasury management software. Also, a recommendation was made to update agreements with investment managers.

Recommendation

Direct staff to implement two recommendations provided in Investment Management Service Contracts, Internal Audit Report No. 17-504.

5. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2016 Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2016. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures.

Recommendation

Receive and file Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2016, Internal Audit Report No. 17-510, as an information item.



6. Fiscal Year 2016 - 17 Internal Audit Plan, Third Quarter Update
Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2016-17 Internal Audit Plan on July 25, 2016. This update is for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Fiscal Year 2016-17 Internal Audit Plan as an information item.

7. Local Agency Investment Fund - February 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 February 28, 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.

8. Local Agency Investment Fund - March 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 March 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.



9. Orange County Treasurer's Management Report - February 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 February 28, 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.

10. Orange County Treasurer's Management Report - March 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 March 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.



11. Orange County Transportation Authority Investment and Debt Programs - March 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 March 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.

12. Third Quarter Fiscal Year 2016-17 Procurement Status Report

Virginia Abadessa/Andrew Oftelie

Overview

The third quarter procurement status report summarizes the procurement activity for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from January 1 through March 31, 2017, that was approved by the Board of Directors during this period. The third quarter procurement status report also projects future procurement activity for the fourth quarter as identified in the fiscal year 2016-17 budget.

Recommendation

Receive and file as an information item.



Regular Calendar

- 13. Orange County Transportation Authority Fiscal Year 2017 - 18 Budget Workshop Preview**
Victor Velasquez/Andrew Oftelie

Overview

The Orange County Transportation Authority is developing the fiscal year 2017-18 budget, which identifies available revenues and the costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in a two-hour informal workshop following the May 8, 2017, Orange County Transportation Authority Board of Directors' meeting.

Recommendation

Review the fiscal year 2017-18 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors' meeting on May 8, 2017.

Discussion Items

- 14. Interstate 405 Improvement Project Financing Update**
Kirk Avila/Andrew Oftelie

Over the past year, the Orange County Transportation Authority has been working with its financing team to finalize a funding plan for the Interstate 405 Improvement Project. Staff will be providing an update on recent financing activities.

- 15. Chief Executive Officer's Report**

- 16. Committee Members' Reports**

- 17. Closed Session**

There are no Closed Session items scheduled.

- 18. Adjournment**

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



Draft Southern California Regional Rail Authority Fiscal Year 2017-18 Budget Update

Key Budget Points

Revenues:

- Projected total of \$100.3 million. A decrease of \$1.5 million or 1.5 percent from the fiscal year (FY) 2016-17 adopted budget.

Expenditures:

- Projected total of \$241.5 million. A decrease of \$2.3 million or 0.9 percent from the FY 2016-17 adopted budget.

Operating Subsidy:

- Projected total of \$141.2 million. A decrease of \$0.8 million or 0.6 percent from the FY 2016-17 adopted budget.



FY 2017-18 Projected Revenues

(\$000)

FY 2016-17 Adopted Budget	\$	101.8	
FY 2017-18 Preliminary Budget	\$	100.3	
Projected Year Over Year Change in Revenue	\$	(1.5)	-1.5%

Operating Budget

REVENUE CATEGORIES:

Farebox	\$	0.3
Dispatch Services	\$	(0.5)
Maintenance-of-Way (MOW)	\$	(1.3)
	\$	(1.5)

Numbers may not foot or cross foot due to rounding



FY 2017-18 Projected Expenditures

(\$000)

FY 2016-17 Adopted Budget	\$	243.8	
FY 2017-18 Preliminary Budget	\$	241.5	
Year Over Year Change in Expenditures	\$	(2.3)	0.9%

Operating Budget

FY 2017-18 Budget

CHANGE DRIVERS:

Material Issues from Inventory for Rolling Stock Repairs	\$	(2.7)
Fuel	\$	(3.1)
Big Five Train Operations	\$	3.7
Big Five MOW	\$	2.0
Wabtec License - Positive Train Control	\$	2.0
Insurance Deductible (Oxnard incident)	\$	1.0
BNSF Decrease	\$	(6.1)
Position Reduction	\$	(0.3)
2 percent cost of living adjustment/3 percent Merit Pool	\$	1.2
	\$	(2.3)

Numbers may not foot or cross foot due to rounding

Revenue Allocation by Member Agency

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Revenues						
Gross Farebox	\$ 84,859	\$ 41,861	\$ 22,381	\$ 7,743	\$ 10,470	\$ 2,404
Dispatching	2,125	1,130	684	6	55	250
Other Operating	12	6	3	1	2	-
MOW	13,350	8,052	2,531	667	1,556	544
Total Revenues	\$ 100,346	\$ 51,050	\$ 25,599	\$ 8,417	\$ 12,083	\$ 3,198
FY 2016-17 Budget	\$ 101,825	\$ 51,822	\$ 25,528	\$ 8,434	\$ 12,665	\$ 3,377
Over/(Under) Prior Year	\$ (1,479)	\$ (772)	\$ 71	\$ (17)	\$ (582)	\$ (179)
Percentage Change	(1.5%)	(1.5%)	0.3%	(0.2%)	(4.6%)	(5.3%)

(Metro) Los Angeles County Metropolitan Transportation Authority
(OCTA) Orange County Transportation Authority
(RCTC) Riverside County Transportation Commission

(SANBAG) San Bernardino Associated Governments
(VCTC) Ventura County Transportation Commission

Expense Allocation by Member Agency

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Expenses						
Train Operations and Services	\$142,337	\$71,707	\$33,262	\$15,836	\$15,386	\$6,144
MOW	41,554	22,015	8,437	3,196	5,452	2,455
Administration and Services	39,992	19,121	7,263	5,692	4,141	3,775
Insurance	17,663	9,418	4,290	1,342	2,026	586
Total Expenses, incl. MOW	\$241,545	\$122,261	\$53,253	\$26,066	\$27,005	\$12,960
FY 2016-17 Budget	\$243,815	\$123,820	\$53,822	\$25,779	\$27,506	\$12,888
Over/(Under) Prior Year	\$ (2,270)	\$ (1,559)	\$ (569)	\$ 287	\$ (501)	\$ 72
Percentage Change	(0.9%)	(1.3%)	(1.1%)	1.1%	(1.8%)	0.6%

Subsidy by Member Agency

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Revenues	\$ 100,346	\$ 51,050	\$ 25,599	\$ 8,417	\$ 12,082	\$ 3,199
Expenses, including MOW	241,545	122,261	53,253	26,066	27,005	12,960
Member Agency FY 2017-18 Subsidy	\$ 141,199	\$ 71,211	\$ 27,654	\$ 17,649	\$ 14,923	\$ 9,761
FY 2016-17 Budget	\$ 141,989	\$ 71,998	\$ 28,294	\$ 17,345	\$ 14,841	\$ 9,511
Over/(Under) Prior Year	\$ (790)	\$ (787)	\$ (640)	\$ 305	\$ 82	\$ 251
Percentage Change	(0.6%)	(1.1%)	(2.3%)	1.8%	0.6%	2.6%

Expense Allocation by Member Agency

Comparison w/o BNSF lease costs in FY 2016-17

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Expenses						
Train Operations and Services	\$142,337	\$71,707	\$33,262	\$15,836	\$15,386	\$6,144
MOW	41,554	22,015	8,437	3,196	5,452	2,455
Administration and Services	39,992	19,121	7,263	5,692	4,141	3,775
Insurance	17,663	9,418	4,290	1,342	2,026	586
Total Expenses, incl. MOW	\$241,545	\$122,261	\$53,253	\$26,066	\$27,005	\$12,960
FY 2016-17 Budget as Adopted	\$243,815	\$123,820	\$53,822	\$25,779	\$27,506	\$12,888
FY 2016-17 Budget w/o BNSF	\$237,760	\$120,533	\$52,556	\$25,202	\$26,826	\$12,644
Over/(Under) Prior Year as Adopted	\$ (2,270)	\$ (1,559)	\$ (569)	\$ 287	\$ (501)	\$ 72
Percentage Change	(0.9%)	(1.3%)	(1.1%)	1.1%	(1.8%)	0.6%
Over/(Under) Prior Year w/o BNSF	\$ 3,785	\$ 1,728	\$ 697	\$ 864	\$ 179	\$ 316
Percentage Change	1.6%	1.4%	1.3%	3.4%	0.7%	2.5%

Subsidy by Member Agency

Comparison w/o BNSF lease costs in FY 2016-17

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Revenues	\$ 100,346	\$ 51,050	\$ 25,599	\$ 8,417	\$ 12,082	\$ 3,199
Expenses, including MOW	241,545	122,261	53,253	26,066	27,005	12,960
Member Agency FY 2017-18 Subsidy	\$ 141,199	\$ 71,211	\$ 27,654	\$ 17,649	\$ 14,923	\$ 9,761
FY 2016-17 Budget as Adopted	\$ 141,989	\$ 71,998	\$ 28,294	\$ 17,345	\$ 14,841	\$ 9,511
FY 2016-17 Budget w/o BNSF	\$ 135,934	\$ 68,711	\$ 27,028	\$ 16,768	\$ 14,161	\$ 9,267
Over/(Under) Prior Year As Adopted	\$ (790)	\$ (787)	\$ (640)	\$ 305	\$ 82	\$ 251
Percentage Change	(0.6%)	(1.1%)	(2.3%)	1.8%	0.6%	2.6%
Over/(Under) Prior Year w/o BNSF	5,265	2,500	626	881	762	494
Percentage Change	3.9%	3.6%	2.3%	5.3%	5.4%	5.3%

Expense Allocation by Member Agency with addition of Rail 2 Rail

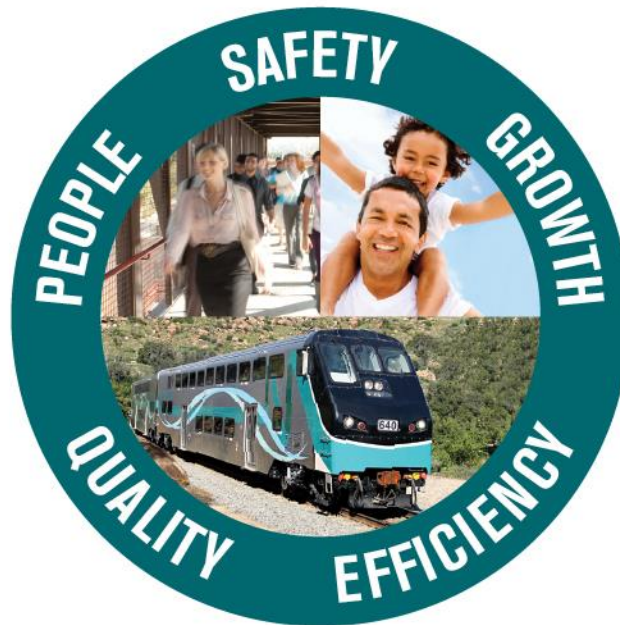
(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Expenses						
Train Operations and Services	\$143,115	\$71,958	\$33,749	\$15,836	\$15,386	\$6,184
MOW	41,554	22,015	8,437	3,196	5,452	2,455
Administration and Services	39,992	19,121	7,263	5,692	4,141	3,775
Insurance	17,663	9,418	4,290	1,342	2,026	586
Total Expenses, incl. MOW	\$242,323	\$122,512	\$53,740	\$26,066	\$27,005	\$13,000
FY 2016-17 Budget	\$243,815	\$123,820	\$53,822	\$25,779	\$27,506	\$12,888
Over/(Under) Prior Year	\$ (1,492)	\$ (1,308)	\$ (82)	\$ 287	\$ (501)	\$ 112
Percentage Change	(0.6%)	(1.1%)	(0.2%)	1.1%	(1.8%)	0.9%

Subsidy by Member Agency with addition of Rail 2 Rail

(\$000s)

	Total FY 2017-18	Metro Share	OCTA Share	RCTC Share	SANBAG Share	VCTC Share
Revenues	\$ 100,346	\$ 51,050	\$ 25,599	\$ 8,417	\$ 12,082	\$ 3,199
Expenses, including MOW	242,323	122,512	53,740	26,066	27,005	13,000
Member Agency FY 2017-18 Subsidy	\$ 141,977	\$ 71,462	\$ 28,141	\$ 17,649	\$ 14,923	\$ 9,801
FY 2016-17 Budget	\$ 141,989	\$ 71,998	\$ 28,294	\$ 17,345	\$ 14,841	\$ 9,511
Over/(Under) Prior Year	\$ (12)	\$ (536)	\$ (153)	\$ 305	\$ 82	\$ 251
Percentage Change	(0.0%)	(0.7%)	(0.5%)	1.8%	0.6%	2.6%



The Metrolink Mission Statement

To provide an outstanding passenger experience on every ride
with safe, clean, dependable and on-time operations.



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

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

Staff Present

*Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Claridge, Board Specialist
James Donich, General Counsel
OCTA Staff and Members of the General Public*

Committee Members Absent

Miguel Pulido

Call to Order

The March 22, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:32 a.m.

Pledge of Allegiance

Committee Chairman Do led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 9)

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

2. Approval of Minutes

A motion was made by Director Steel, seconded by Director Murphy, and declared passed by those present, to approve the minutes of the March 8, 2017 Finance and Administration Committee meeting.

Directors Hennessey and Jones were not present to vote on this item.



MINUTES

Finance and Administration Committee Meeting

3. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2016

A motion was made by Director Steel, seconded by Director Murphy, and declared passed by those present, to:

- A. Direct staff to monitor implementation of recommendations by the County of Orange and all cities.
- B. Receive and file the Orange County Local Transportation Authority Measure M2 Senior Non-Emergency Medical Transportation Program Agreed-Upon Procedures Report Fiscal Year Ended June 30, 2016, the Orange County Local Transportation Authority Senior Mobility Program Agreed-Upon Procedures Reports Year Ended June 30, 2016, and the Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2016, as information items.

Directors Hennessey and Jones were not present to vote on this item.

4. Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507

A motion was made by Director Steel, seconded by Director Murphy, and declared passed by those present, to direct staff to implement three recommendations provided in Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507.

Directors Hennessey and Jones were not present to vote on this item.

5. Award of Sole Source Agreement with Xerox Corporation for Ink, Parts, Supplies, Printing, Equipment Repair, and Maintenance

A motion was made by Director Steel, seconded by Director Murphy, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A37076 between the Orange County Transportation Authority and Xerox Corporation, in the amount of \$95,000, for printing costs, equipment repair, and maintenance of the Xerox 800 color press through June 30, 2017.

Directors Hennessey and Jones were not present to vote on this item.



MINUTES

Finance and Administration Committee Meeting

6. Orange County Transportation Authority Investment and Debt Programs Report - February 2017

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

Directors Hennessey and Jones were not present to vote on this item.

7. Local Transportation Fund Claims for Fiscal Year 2017-18

A motion was made by Director Steel, seconded by Director Murphy, and declared passed by those present, to adopt Orange County Transit District Resolution No. 2017-013 authorizing the filing of Local Transportation Fund claims, in the amounts of \$146,621,592, to support public transportation and \$7,774,611 for community transit services.

Directors Hennessey and Jones were not present to vote on this item.

8. Amendments to the 91 Express Lanes Three-Party Operating Agreement and Facility Agreement

A motion was made by Director Jones, seconded by Director Spitzer, and declared passed by those present, to:

- A. Authorize the Chief Executive Officer to execute Amendment No. 2 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission and Cofiroute USA, LLC., for the inclusion of the joint software license, software maintenance and escrow agreements.
- B. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-3-1529 among the Orange County Transportation Authority, Riverside County Transportation Commission and Cofiroute USA, LLC., in the amount of \$1,302,562, for maintenance and support services for the 91 Express Lanes Electronic Toll and Traffic Management systems.
- C. Authorize the Chief Executive Officer to execute Amendment No. 3 to Agreement No. C-5-3828 between the Orange County Transportation Authority and Riverside County Transportation Commission, in the amount of \$431,308, for the reimbursement of shared operational expenses through June 30, 2018.



MINUTES

Finance and Administration Committee Meeting

8. (Continued)

Director Hennessey was not present to vote on this item.

Committee Chairman Do did not participate or vote on this item.

9. Security and Privacy Liability Insurance Coverage

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

Directors Hennessey and Jones were not present to vote on this item.

Regular Calendar

10. Update on the Day Pass Promotion

Sean Murdock, Director of Finance and Administration, provided an update on the day pass promotion and reported that the Board of Directors approved a six-month promotional reduction in the price of the day pass from \$5.00 to \$4.00 effective October 9, 2016. Staff evaluated the initiative and determined that it did not meet its objective of attracting new riders which also resulted in significant impacts to the fare revenue.

A lengthy discussion ensued regarding, quarterly performance, loss of ridership, price sensitivity, and future trends on ridership.

Committee Chairman Do inquired on the marketing efforts for this promotion.

Stella Lin, Manager of Marketing, stated that the marketing efforts for this promotional period were bus ads, direct mail, and social media campaigns.

Darrell Johnson, Chief Executive Officer (CEO), stated that staff is working with the colleges and noted there is an increase traffic on the mobile ticketing app.

A motion was made by Director Spitzer, seconded by Director Murphy, and declared passed by those present, to direct staff to end the promotional reduction in the price of the day pass on April 9, 2017, and return with options to utilize remaining Low Carbon Transit Operations Program funds.



MINUTES

Finance and Administration Committee Meeting

Discussion Items

11. Review of Policy on Unsolicited Proposals

Virginia Abadessa, Director of Contracts Administration & Materials Management, provided a PowerPoint presentation on the following:

- Background;
- Policy;
- What is an Unsolicited Proposal;
- Unsolicited Proposal Criteria;
- Orange County Transportation Authority's (OCTA's) Role in the Process;
- Proposer's Role in the Process;
- Process Overview; and
- Next Steps.

Committee Chairman Do asked what an unsolicited proposal is.

Ms. Abadessa responded that unsolicited proposals are innovative and unique ideas that are not developed programs with OCTA.

Mr. Johnson, CEO, stated that staff wanted to make sure the Finance and Administration Committee knew this policy was in place in case constituents inquired on this topic.

12. Delivering Transportation Solutions in a Changing Market

Darrell Johnson, CEO, provided a PowerPoint presentation for this item as follows:

- Planning Efforts Underway;
- OCTA Core Functions;
- Background – Measure M;
- Next 10 Delivery Plan;
- Background – Bus Transit;
- Trends;
- OC Bus 360° - Reinventing Bus Service;
- Efficiency Measures/Cost Savings;
- Staff Levels and Service Hours;
- Other OCTA Programs; and
- Next Steps.



MINUTES

Finance and Administration Committee Meeting

12. (Continued)

Director Spitzer expressed concern that OCTA's labor contracts are not locking OCTA into employee numbers, especially with potential changes to the system.

Mr. Johnson, CEO, stated that staff has flexibility to adjust OCTA's workforce size based on OCTA business needs.

Director Spitzer inquired on the status of the peer review for Metrolink.

Janet Sutter, Executive Director of Internal Audit, responded that the peer review is tentatively scheduled for the month of April.

Director Spitzer inquired if the feedback from the peer review will return back to the Finance and Administration Committee before approval of the final budget.

Mr. Johnson, CEO, stated that feedback from the peer review will return to the Finance and Administration Committee before the approval of the final budget.

Director Spitzer inquired about the amendment designation of air quality conformity from the southbound 241 Toll Road to the State Route 241/91 Express Connector Project.

Kia Mortazavi, Executive Director of Planning, responded that the formal amendment to change the air quality conformity was completed last month while the environmental work is still pending.

Mr. Johnson, CEO, responded that staff will follow-up on the construction activity schedule and report back to the Finance and Administration Committee at a later date.



13. Fiscal Year 2017 - 18 Budget Assumptions

Andrew Oftelie, Executive Director of Finance and Administration, provided opening comments and introduced Victor Velasquez, Manager, Financial Planning & Analysis, who reported the following:

- Key Issues;
- Measure M2 Program Assumptions;
- Rail Program Assumptions;
- 91 Express Lanes Program Assumptions;
- Motorist Services Program Assumptions;
- Bus Program Assumptions;
- Bus Program Revenue Assumptions;
- Bus Operations Service Assumptions, and
- Next Steps.

Director Spitzer asked what the net would be for the excess toll revenues on the 91 Express Lanes and what part of the excess toll revenues would go to the State Route 241/91 Express Connector Project.

Kirk Avila, General Manager, Treasurer and Toll Roads responded that the net for excess revenues is 25 percent.

Mr. Johnson, CEO, commented that staff has set a high-level number for an assumed cash flow for the excess toll revenues during the next ten years. He also stated that the opening of the extension of the 91 Express Lanes will feed into the full discussion on what part of the excess toll revenues will go for the State Route 241/91 Express Connector Project.

A lengthy discussion ensued regarding, bus assumptions, reduction of service hours, and the preview of the budget workshop.

Director Spitzer inquired on the additional \$14.5 million revenue source.

Mr. Johnson, CEO, responded that the \$14.5 million revenue source is an option that would be a one-time infusion from another transit agency that has federal bus funds for a one-year period. He also stated there could be other pilot programs which require longer lead time for future service modifications.



MINUTES

Finance and Administration Committee Meeting

14. Chief Executive Officer's Report

- The extension of the 91 Express Lanes opened earlier this week. The Riverside County Transportation Commission will be hosting a grand-opening ceremony on Friday, March 31st, at 11:00 a.m., at the North Main Corona Metrolink Station.
- Through sponsorship by Assembly Members Tom Daly and Todd Gloria, the Joint Legislature and Audit Committee will conduct a hearing on Tuesday, March 28th to seek an audit of the distribution and collection of the Transportation Development Act sales tax.

15. Committee Members' Reports

Board Chairman Hennessey requested that Joel Kotkin, Chapman University, present to the Finance and Administration Committee his long-range study given to the Orange County Council of Governments General Assembly on March 16th.

Board Chairman Hennessey requested that the University of California, Los Angeles (UCLA) long-range study presentation be forwarded on to the full board.

Mr. Johnson, CEO, responded that the UCLA presentation was forwarded to the Board for review.

Committee Chairman Do expressed concerns on how staff views bus ridership demographics and would like to see an increase to the frequency of segments in the bus routes, service cuts for routes that are not productive, and a different pricing model.

16. Closed Session

A Closed Session was held for the following:

Pursuant to Government Code Section 54946.9 (c) - One matter

There was no report out for the Closed Session item.



MINUTES

Finance and Administration Committee Meeting

17. Adjournment

The meeting adjourned at 12:14 p.m.

The next regularly scheduled meeting will be held at **10:30 a.m. on Wednesday, April 12, 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

Andrew Do
Committee Chairman



April 26, 2017

To: Finance and Administration Committee

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

Subject: Investment Management Service Contracts, Internal Audit Report No. 17-504

Overview

The Internal Audit Department has completed an audit of Investment Management Service Contracts. Based on the audit, contract compliance and invoice review controls are generally adequate; however, several concerns were identified related to the procurement of treasury management software. Also, a recommendation was made to update agreements with investment managers.

Recommendation

Direct staff to implement two recommendations provided in Investment Management Service Contracts, Internal Audit Report No. 17-504.

Background

The Treasury/Public Finance Department (Treasury) is responsible for management of the Orange County Transportation Authority's (OCTA's) investment portfolio. On December 31, 2016, the investment portfolio's book value was approximately \$1.48 billion.

In April 2012, Treasury staff entered into an agreement with Clearwater Analytics, a web-based investment portfolio accounting and reporting tool for the purpose of automating the process of monitoring, reconciling, and reporting of the investment portfolio.

OCTA procurement policy and procedures (policies), approved by the Board of Directors (Board), include procurement approval thresholds, guidelines for issuance of requests for proposal (RFP), criteria for evaluating proposals, and rules for the conduct of procurement activities. Among these is a requirement to obtain Board approval for any contract exceeding \$250,000, or any amendment

exceeding 15 percent of contract value, or \$250,000, whichever is less. Guidelines require Contracts Administration and Materials Management (CAMP) administrators to include a cost and price form for bidders to complete as part of their proposal. Changes to the scope of work after issuance of an RFP are typically addressed as addendums to the RFP. Policies state that all contact with proposers during the solicitation, evaluation, negotiation, and award phases must be limited only to CAMP staff. Finally, CAMP generally uses standard contract templates that have been reviewed with legal counsel and risk management to ensure inclusion of appropriate clauses and insurance coverage requirements.

Discussion

The procurement process used to acquire treasury management software in 2011, did not comply with all policies. Further, staff issued the original contract and the first amendment to the contract just under the thresholds that would require Board approval. In addition, the Internal Audit Department (Internal Audit) noted several irregularities related to the initial procurement.

Specifically, the original procurement solicited proposals for a six-month term, with a budget of \$70,000. Staff eventually issued a five-year, \$250,000 contract to one of the proposing firms without amending or reissuing the RFP. Also, the selected firm submitted a proposal that was not in the format dictated by the RFP. Rather than finding the proposal non-responsive, staff developed an estimate of the annual cost for purposes of price comparison. A corresponding calculation and methodology used to arrive at the price estimate was not documented; however, it resulted in the selected firm receiving the highest score under the cost criterion. Finally, documentation on file reflects that the project manager engaged in direct negotiations with the selected firm.

During these direct negotiations, the project manager negotiated a lower contract cost over a five-year term in exchange for allowing the firm to use the OCTA logo for marketing purposes and to allow a case study to be completed within the first year of the contract. Currently, the vendor website includes a testimonial by the project manager.

Documentation on file reflects staff's estimate of the five-year total cost of the contract to be \$296,000, with notes outlining a four-year contract for \$250,000, and a one-year amendment of 15 percent; however, the contract was ultimately issued for \$250,000 for five years. In March 2016, the fourth year of the contract, staff issued an amendment to increase the contract value by 15 percent. This amendment proved to be insufficient, and two months later a second amendment was requested to increase the total maximum obligation to \$409,500. The second amendment was presented to the Board for approval, as required.

Internal Audit recommended management ensure compliance with procedures and adequate documentation be prepared and maintained to support methodologies for cost estimates and decisions made regarding acceptance of proposal deviations and reasons for changes to RFP scope that do not result in an amended or reissued RFP. In addition, Internal Audit noted that the value of cost estimates should translate to contract value. Finally, Internal Audit recommended management consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes. Management agreed and indicated that requirements will be re-enforced with staff, and justification for decisions, along with the method for calculating final pricing, will be documented and on file. Management also agreed to consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in studies for marketing purposes.

In addition, Internal Audit found that evergreen contracts with State Street Global Advisors, Western Asset Management Company, and J.P. Morgan do not include standard provisions such as insurance requirements, a right to audit clause, and identification of key personnel. Internal Audit recommended management review and update the agreements to include appropriate and applicable contract clauses. Management agreed and indicated that the agreements will be updated.

Summary

Internal Audit has completed an audit of Investment Management Service Contracts.

Attachment

- A. Investment Management Service Contracts, Internal Audit Report No. 17-504

Prepared by:



Gabriel Tang
Principal Internal Auditor
714-560-5746

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investment Management Service Contracts

Internal Audit Report No. 17-504

April 12, 2017



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Andrew Oftelie, Executive Director, Finance and Administration
Kirk Avila, Treasurer
Virginia Abadessa, Director
Rodney Johnson, Deputy Treasurer

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Management Service Contracts
April 12, 2017

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of Investment Management Service Contracts. Based on the audit, contract compliance and invoice review controls are generally adequate; however, Internal Audit identified several concerns related to the procurement of treasury management software. Also, a recommendation was made to update agreements with investment managers.

Background

The Treasury/Public Finance Department (Treasury) is responsible for management of the Orange County Transportation Authority's (OCTA's) investment portfolio. On December 31, 2016, the investment portfolio's book value was approximately \$1.48 billion.

OCTA has agreements with four investment managers, JP Morgan, State Street Global Advisors, Payden & Rygel, and Western Asset Management Company, for administration of the short-term investment portfolio.

In April 2012, Treasury staff entered into an agreement with Clearwater Analytics (Clearwater), a web-based investment portfolio accounting and reporting tool for the purpose of automating the process of monitoring, reconciling, and reporting of the investment portfolio.

In addition, Treasury holds agreements with Sperry Capital for analysis, consultation, and support for financial and investment matters and with Nossaman, Guthner, Knox & Elliot, LLP for bond counsel services.

OCTA procurement policies and procedures, approved by the Board of Directors (Board), include procurement approval thresholds, guidelines for issuance of Requests for Proposal (RFP), criteria for evaluating proposals, and rules for the conduct of procurement activities. Among these is a requirement to obtain Board approval for any contract exceeding \$250,000, or any amendment exceeding 15 percent of the contract value, or \$250,000, whichever is less. Guidelines require Contracts Administration and Materials Management (CAMM) administrators to include a cost and price form for bidders to complete as part of their proposal. Changes to the scope of work after issuance of an RFP are typically addressed as addendums to the RFP. CAMM policies state that all contact with proposers during the solicitation, evaluation, negotiation, and award phases be limited only to CAMM staff. Finally, CAMM generally uses standard contract templates that have been reviewed with legal counsel and risk management to ensure inclusion of appropriate clauses and insurance coverage requirements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Objectives, Scope, and Methodology

The objectives were to assess contract compliance, procurement, and invoice review controls of investment related service contracts.

The scope included review of Agreement No. C-1-3116 with Sperry Capital, Agreement No. C-5-3099 with Nossaman, Guthner, Knox & Elliott, Agreement No. C-1-2926 with Clearwater, Agreement No. C-9-0518 with J.P.Morgan Investment Management Inc., Agreement No. C-9-9302 with Western Asset Management Company, Agreement No. C-7-0145 with State Street Global Advisors, and Agreement No. C-7-0146 with Payden & Rygel. Invoices between July 1, 2014 and December 31, 2016, were tested, except for those of Sperry Capital and Clearwater, as those invoices are reviewed during the semi-annual review of investments. Also, procurements and/or amendments to all contracts since 2011 were reviewed for compliance with policies and procedures.

The methodology included testing for compliance with key contract terms, invoice review policies and procedures, CAMM procurement and amendment procedures.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Management Service Contracts
April 12, 2017**

Audit Comments, Recommendations, and Management Responses

Irregularities Identified in the Procurement of Treasury Management Software

The procurement process used to acquire treasury management software in 2011, did not comply with all OCTA procurement policies and procedures. Further, staff issued the original contract and the first amendment to the contract just under the thresholds that would require Board approval. In addition, Internal Audit noted several irregularities related to the initial procurement.

An RFP was issued in August 2011, requesting firm fixed price bids from qualified firms to provide treasury management software. There was no evidence on file that an Independent Cost Estimate (ICE) was prepared by the project manager as required by OCTA policy and procedures. Further, while the advertised scope of the project was \$70,000 for six months, a five year contract for \$250,000 was ultimately negotiated and issued. This change to the scope of work could have had an impact on the level of competition had the RFP been amended and/or reissued. The final contract was not executed until eight months after the RFP, in April 2012. Documentation on file suggests that the delay was the result of the project manager encountering difficulties obtaining concurrence from upper management for a longer term contract.

The cost and price form included with the RFP required firms to bid firm fixed prices for individual tasks. On the proposal due date, three bids were received. One was later withdrawn and the remaining two bids were evaluated. One bid reflected a firm fixed price proposal of \$70,000, and a second bid proposed a .01 percent fee on portfolio market balances.

While the second proposal was not provided in the format dictated by the RFP, staff did not deem it non-responsive. Instead, staff estimated the cost of the proposal to be \$62,771. A corresponding calculation and methodology used to arrive at this amount was not documented; however, it resulted in the selected firm receiving the highest score under the cost criterion.

OCTA policy states that, "All contacts with ...consultants that relate to a particular procurement that is in the solicitation, evaluation, negotiations, or award phase must be conducted by CAMM staff." However, documentation on file reflects direct negotiation occurred between the project manager and the selected firm. The project manager negotiated a lower rate against portfolio market balances over a five year term in exchange for allowing the firm to use the OCTA logo for marketing purposes and to allow a case study to be completed within the first year of the contract. Currently, the vendor website includes a testimonial by OCTA staff. There is no policy governing the use of OCTA's logo, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Management Service Contracts
April 12, 2017**

A cost estimate of \$296,000 was prepared based on the negotiated lower rates and a five-year term, however, the contract was issued for \$250,000. A note on the cost estimate outlines a four-year contract for \$250,000, and a one-year amendment of 15 percent, terms that would not require Board approval. Ultimately, the contract was issued for \$250,000 for five years, through March 2017. In March 2016, the fourth year of the contract, staff issued an amendment to increase the contract value by 15 percent for a total maximum obligation of \$287,500. This amendment proved to be insufficient and two months later, the project manager requested a second amendment to increase the total maximum obligation to \$409,500. The second amendment was taken to the Board for approval, as required. The accompanying staff report stated that the increase was necessary "...due to continued growth in the size of the OCTA investment portfolio".

Recommendation 1:

Management should ensure compliance with OCTA's procurement policies and procedures that require an ICE be prepared and submitted with the requisition and project managers be prevented from conducting direct negotiations with proposing firms.

When a proposal is submitted outside the format dictated by the RFP, decisions to accept the deviation should be documented, along with the calculations and methodologies used when cost estimates are prepared by staff for purposes of comparing price proposals. Documentation on file should describe and justify the reasons for changes to the RFP's period of performance where an amended RFP or a new procurement is not undertaken. The value of the cost estimate on file should translate to the value of the contract issued.

Management should consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes.

Management Response:

CAMM agrees to enforce the requirement that an ICE is to be provided by the project manager at the time that the procurement is initiated. This is the current policy and one that staff is aware of. Unfortunately, this contract file did not include an ICE, which is extremely unusual. CAMM management will re-enforce this requirement with the staff during staff meetings and other training exercises. Likewise, CAMM will remind staff that project managers should not be conducting direct negotiations without CAMM staff being present. Negotiations are to be a joint effort of the contract administrator and project manager.

RFP's are issued to solicit an approach, action plan, or technique to solve a problem or need that is described in the RFP's scope of work. At times, a proposal is submitted that offers a different methodology or pricing model than what was originally envisioned when the scope of work and RFP were developed. It is the role of the evaluation committee to

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investment Management Service Contracts
April 12, 2017**

review this different approach/pricing model and determine if it has merit and benefit to OCTA, even if it differs from the method identified in the scope of work. If this different approach or pricing model is the one recommended for award by the evaluation committee, it is the contract administrator's duty to document the rationale for this decision. While the contract administrator always prepares a procurement memo that outlines the rationale for the recommendation, it will be important that the contract administrator clearly indicates when a recommendation deviates from the original scope of work and/or RFP and why the proposal was being recommended. CAMM management will ensure that staff understands this requirement and include this justification in the procurement memo. CAMM management will enforce the need for documentation to be included in the file which demonstrates the method for calculating the final pricing as well as how the pricing criteria was scored. Additionally, contracts will be issued consistent with the cost estimate on file. Documentation will be required in the contract file if a contract is issued in an amount that varies greatly from the cost estimate.

Lastly, management agrees to consider developing a policy with guidelines for the use of OCTA's logo by vendors, staff-provided testimonials, or staff participation in vendor case studies for marketing purposes.

Investment Manager Agreements should be Updated

The State Street Global Advisors, Western Asset Management Company, and J.P. Morgan agreements are evergreen contracts that were initially executed in 1997, 2007, and 2008, respectively. The agreements do not contain standard provisions such as insurance requirements, a right to audit clause, and identification of key personnel.

Recommendation 2:

Internal Audit recommends that management review and update the agreements to include appropriate and applicable contract clauses.

Management Response:

CAMM agrees to work with Treasury to review the current investment manager agreements and update them to include applicable clauses.



April 26, 2017

To: Finance and Administration Committee

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

Subject: Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2016

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2016. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures.

Recommendation

Receive and file Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2016, Internal Audit Report No. 17-510, as an information item.

Background

The Treasury Department is responsible for the management of the Orange County Transportation Authority's (OCTA) investment portfolio. On December 31, 2016, the portfolio's book value was approximately \$1.48 billion. The portfolio consists of three managed portfolios: liquid assets for OCTA's daily operations, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio.

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Policy outlines permitted investments, as well as diversification guidelines. The diversification limits ensure the portfolio is not unduly concentrated in securities of one type,

industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

Discussion

OCTA's investment activities are reviewed on a semi-annual basis by the Internal Audit Department. The objective of the audit was to determine if OCTA was in compliance with its debt, investment, and reporting policies and procedures for the period July 1 through December 31, 2016.

Summary

Based on the audit, OCTA complied with its debt, investment, and reporting policies and procedures.

Attachment

- A. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2016, Internal Audit Report No. 17-510

Prepared by:



Gabriel Tang
Principal Internal Auditor
714-560-5746

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investments: Compliance, Controls, and Reporting July 1 through December 31, 2016

Internal Audit Report No. 17-510

April 6, 2017



Performed by: Janet Sutter, CIA, Executive Director
Ricco Bonelli, CIA, Principal Internal Auditor
Gabriel Tang, CPA, Principal Internal Auditor

Distributed to: Andrew Oftelie, Executive Director, Finance and Administration
Kirk Avila, Vicki Austin, Rodney Johnson

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT

Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2016
April 6, 2017

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**Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2016
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period July 1 through December 31, 2016. Based on the audit, the Orange County Transportation Authority (OCTA) complied with its debt, investment, and reporting policies and procedures.

Background

Portfolio Management

The Treasury Department (Treasury) is responsible for the management of OCTA's investment portfolio (portfolio). On December 31, 2016, the investment portfolio's book value was approximately \$1.48 billion. The portfolio consists of three managed portfolios: liquid assets for OCTA's daily operations, a bond proceeds portfolio to meet Measure M2 transportation program needs, and a short term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department (Accounting) is responsible for recording all debt and investment transactions and for reconciling all bank and custodial accounts monthly.

Investment Policy

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code (CGC). The Policy outlines permitted investments as well as diversification guidelines. The diversification limits ensure the portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

OCTA has provided the investment managers with a copy of the Policy and requires investment managers to invest their portfolios in accordance with the provisions of the Policy.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**

**Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2016
April 6, 2017**

Objectives, Scope and Methodology

The primary objective was to determine if OCTA complied with its debt, investment, and reporting policies and procedures.

Audit objectives included determining if:

- Internal controls over OCTA's investment activities were adequately designed;
- OCTA was in compliance with the CGC;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

The scope included investment transactions and investment-related controls for the period July 1 through December 31, 2016.

The methodology consisted of reviewing the most current Investment Policy and Debt and Investment Management Manual, reviewing any personnel changes and corresponding updates to bank authorization signature cards, reviewing a judgmental sample of daily cash worksheets prepared by Accounting and Treasury staff, reviewing a judgmental sample of repo-sweeps, verifying a judgmental sample of wire transfers to source documents, reviewing judgmental samples of securities for Treasury software and computer data testing, and reviewing the quarterly debt and investment reports provided to OCTA's Board of Directors for accuracy. For daily cash report testing, repo-sweep testing, and wire transfer testing, Internal Audit judgmentally selected one transaction per month during the scope period. For Treasury software and computer data testing, Internal Audit haphazardly selected five securities per trustee per quarter, resulting in a sample of 40 securities, and traced the securities from the statements to the Clearwater Daily Holding Reports. For quarterly report transaction testing, Internal Audit haphazardly selected 40 investments per quarter for coverage over different types of securities. Since the samples are non-statistical, any conclusions are limited to the sample items tested. The methodology also included testing the Deputy Treasurer's monitoring of the investment managers' compliance with the Policy, including obtaining acknowledgement of receipt of OCTA's Policy, and obtaining written descriptions of the compliance and control environment of the investment managers.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



April 26, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2016-17 Internal Audit Plan, Third Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Fiscal Year 2016-17 Internal Audit Plan on July 25, 2016. This update is for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Fiscal Year 2016-17 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Fiscal Year (FY) 2016-17 Internal Audit Plan (Plan) (Attachment A) reflects the status of each audit project. At quarter end, several projects are in process.

During the third quarter of the FY, Internal Audit issued an audit of Payment Card Industry Data Security Standard (PCI-DSS) compliance. Based on the

audit, OCTA is not fully compliant with standards and reporting requirements of the PCI DSS or related payment card issuer standards. Internal Audit recommended management evaluate the necessary resources and controls to ensure full compliance with PCI DSS and develop a proposal to achieve compliance and/or provide a reasonable approach moving forward. Management agreed and outlined actions for undertaking an assessment and evaluation of steps necessary to become fully compliant. Internal Audit also recommended management implement procedures to ensure that quarterly network scans are performed and remediation efforts are identified and addressed accordingly. Management agreed to perform quarterly scans and implement remediation actions based on risk and cost.

Internal Audit also issued the audit of budget development, monitoring, and reporting. Based on the audit, controls were found to be generally adequate; however, recommendations were made to enhance and expand written procedures, to improve controls over salary grade changes, to adhere to the Position Control Policy, and to improve estimates and explanations included with the Sole Source List. Management agreed and proposed appropriate corrective actions.

An audit of OCTA policies and procedures was completed and found that, while policies and procedures are approved as required, enhanced controls are needed to ensure timely update and communication of new and revised policies and procedures, as well as improved tracking of policies and procedures. Management agreed and proposed actions to address the recommendations.

Internal Audit also completed work on an audit of Coach Operator Health Insurance Benefits and provided coordination of an audit by the Department of Finance, on behalf of the California Department of Transportation, of Proposition 1B funds utilized on five grade separation projects and the Oso Parkway Widening Project.

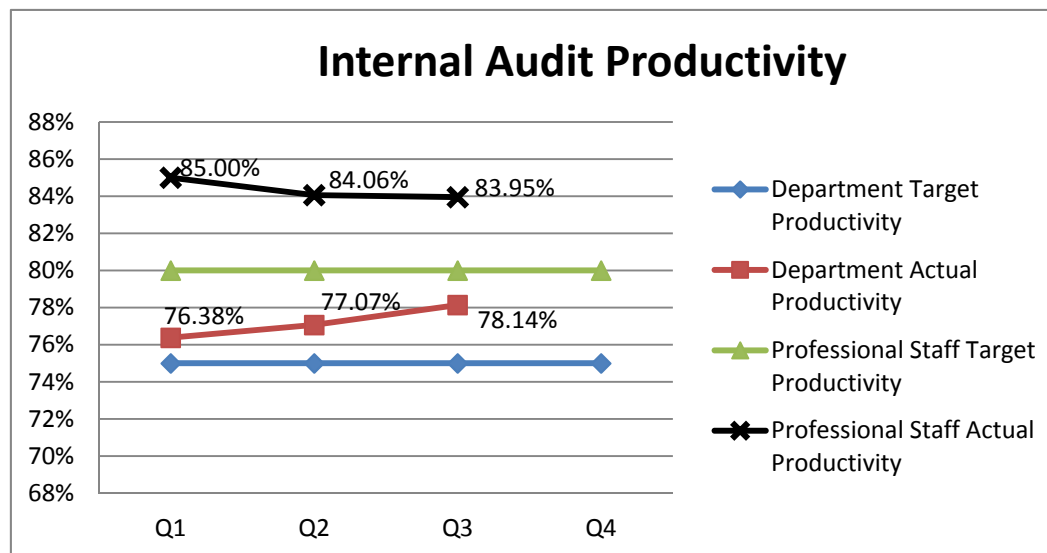
Also during the quarter, OCTA's independent financial statement auditor, Vavrinek, Trine, Day & Company, LLP (VTD) issued results of the annual Measure M Agreed-Upon Procedures (AUP) reviews. AUP were applied to the County of Orange in relation to the Senior Non-Emergency Medical Transportation Program, the cities of Fountain Valley, Fullerton, Laguna Niguel, Laguna Woods, Lake Forest, Newport Beach, Placentia, San Juan Capistrano, and Yorba Linda in relation to Local Fair Share funding, and the cities of Fullerton, Mission Viejo, Newport Beach, and Yorba Linda in relation to Senior Mobility Program Funding. Observations were made relating to the classification of Maintenance of Effort and Local Fair Share expenditures,

errors in reporting of amounts on required activity reports and annual expenditure reports, failure to allocate interest income, senior mobility program trips, inclusion of projects in city Capital Improvement Program plans, and service contractor procurement. OCTA staff will perform follow-up with the County of Orange and applicable cities to confirm that the observations have been addressed.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the executive director, is 80 percent.

For the quarter ended March 31, 2017, Internal Audit achieved productivity of 78 percent, and the professional staff achieved productivity of 84 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMP) Department, and consistent with OCTA procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMP handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms, and sole

source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. When the value of recommended adjustments can be estimated, Internal Audit tracks and reports the potential savings, as noted below. During the quarter ended March 31, 2017, Internal Audit conducted ten pre-award agreed-upon procedures reviews and recommended price adjustments, as indicated below:

Quarter	Price Reviews Recommended Adjustments
1	\$ 662,136
2	197,557
3	328,792
4	
Total	\$ 1,188,485

Fraud Hotline

During the quarter ended March 31, 2017, Internal Audit received nine reports through OCTA's Fraud Hotline, www.ethicspoint.com. Four were referred to management for follow-up, one was referred to legal counsel for investigation, and one was referred to the County of Orange. Two more reports involved criminal activity not related to OCTA and the reporters were advised to contact local police. One report was investigated by Internal Audit and was not substantiated; however, process improvement recommendations were made in connection with the review.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2017, Internal Audit made initial contact within two business days.

Monitoring Activities – Metrolink Audit Results

Metrolink audit staff have indicated that a peer review has been scheduled for the week of April 17, 2017, and that results will be available in May 2017. Internal Audit will continue to monitor and report on these efforts.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan as Attachment B. Internal Audit includes findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended March 31, 2017, Internal Audit performed follow-up and removed one outstanding recommendation related to the Comprehensive Transportation Funding Program Audits. Follow-up of three more recommendations is underway as of the quarter end. Ten recommendations were added to the listing as a result of audits issued during the quarter.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow-up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2016-17 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Findings and Recommendations (Audit Reports Issued Through March 31, 2017)

Prepared by:



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

**Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Mandatory External Independent Audits								
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY17-001 through FY17-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2016-17.	Financial	375	360	15	Complete	
External Regulatory Audits	FY17-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	25	36		
Internal Audit Department Projects								
Risk Assessment and Annual Audit Plan	FY17-100	Annual preparation of the audit plan, quarterly updates to the audit plan and periodic assessment of risk throughout the year.	Audit Plan and Updates	180	60	120		
Quality Assurance and Self-Assessment	FY17-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	180	97	83		
Fraud Hotline Activities	FY17-102	Administrative duties related to the Fraud Hotline and investigations of reports of fraud, waste, or abuse.	Fraud Hotline	250	297	(47)	18 Reports Received	
Automated Workpaper Solution	FY17-103	Purchase, training, and implementation and updates to automated workpaper solution.	Workpaper System	280	127	154	Complete	
On-Call Audit Services	FY16-105	Prepare scopes of work and establish bench of independent audit firms to provide assistance with (1) performance audits and (2) application of agreed-upon procedures relating to price reviews and Buy America compliance reviews.	On-Call Audit Services	160	63	97	In Process	
Internal Audits								
Security and Emergency Preparedness								
Transit Police Services Contract	FY17-512	Review oversight controls and contract compliance with agreement for provision of Transit Police services.	Compliance	240		240		
Human Resources and Organizational Development								
Benefits: Health Insurance Plans and Health Savings Accounts	FY17-506	Review controls in place to ensure proper enrollment, accounting, and compliance with laws, regulations, policies, and procedures.	Operational	320	94	226	In Process	
Coach Operator Health Insurance Benefits	FY16-805	Review and test compliance with collective bargaining agreement for the coach operators as it relates to provision of health insurance benefits.	Compliance	300	349	(49)	Complete 3-22-17	
Storm Water Pollution Prevention Plan	FY17-505	Review oversight controls, policies, and procedures to ensure compliance with Environmental Protection Agency regulations.	Compliance	80	94	(14)	In Process	

**Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Capital Programs								
Project Controls	FY16-507	Assess and test operating controls of the project controls function within the Capital Projects Division.	Compliance	40	170	(130)	Issued 9-14-16	
Project K: Right-of-Way Acquisition Activities	FY17-5XX	Assess and test controls to ensure compliance with Real Property Department Policies and Procedures for acquisition of property rights related to the Interstate 405 Project K.	Compliance	225		225		
Planning								
Competitive Transportation Funding Program Projects	FY16-511	Review selected projects for compliance with Measure M Ordinance, policies, and procedures.	Compliance	60	77	(17)	Issued 10-12-16	
Transit Operations								
Fleetwatch Fluid Management System	FY17-5XX	Assess adequacy of system controls and data reporting related to dispensing of fuel.	Operational	240		240		
Contracted Fixed Route Operations	FY17-508	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with First Transit.	Compliance	325	112	213	In Process	
Finance and Accounting								
Treasury	FY17-501, FY17-510	Semi-annual review of investments compliance, controls, and reporting.	Compliance	210	241	(31)	Issued 10-3-16	
Grant Closeouts	FY16-512, FY17-511	As-needed financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	38	2	Issued 9-14-16	
Budget Development and Monitoring	FY16-509	Review and test controls in place over the preparation, monitoring, and reporting related to the annual OCTA budget.	Operational	325	335	(10)	Issued 2-15-17	
OCTA Policies and Procedures	FY17-507	Review controls in place to ensure proper development, update, and communication of OCTA policies and procedures.	Operational	185	262	(77)	Issued 3-9-17	
Investment Management Service Contracts	FY17-504	Review procurement of, contract compliance, and invoice controls related to investment management service contracts.	Compliance	185	258	(73)	In Process	
Information Systems								
Payment Card Industry/Data Security Standard (PCI/DSS) Compliance	FY17-502	Review of OCTA's compliance with PCI/DSS, including review and evaluation of annual self-assessment to ensure protection of credit card data.	Compliance	225	445	(220)	In Process	

**Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Contract Administration and Materials Management								
Price Reviews	PR17-XXX	Cost and price analyses as requested by OCTA's Contract Administration and Materials Management Department.	Price Review	1,000	702	298	17 Reports Issued	
Buy America	FY16-513, FY17-503	Pre-award and post-delivery reviews to ensure vendors and OCTA are in compliance with federal Buy America requirements.	Compliance	250	97	153	1 Report Issued 9-14-16	
External Affairs								
Customer Relations	FY16-508	Review in-house Customer Relations operation.	Operational	80	195	(115)	Issued 9-14-16	
Public Outreach - West County Connectors Project	FY17-509	Review of oversight controls and contract compliance related to agreement for public outreach.	Compliance	180	145	35	In Process	
Unscheduled Reviews and Special Requests								
Unscheduled Reviews and Special Requests	FY17-800	Time allowed for unplanned audits, coordination of external agency audits, and requests from the Board of Directors and management.	Varies	260	13	247		
Monitoring Activities								
Measure M Taxpayers Oversight Committee	FY17-601	Coordination of audit activities on behalf of the Audit Subcommittee of the Measure M Taxpayers Oversight Committee.	Administrative Support	100	23	77		
Metrolink Audit Activities	FY17-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	60	55	5		
Bus Base Inspections	FY17-603	At the request of Transit Division, participate on annual bus base inspections.	Non-Audit Service	32	51	(19)	Complete	
Follow-up Reviews								
Follow-up Reviews and Reporting	FY15-7XX, FY17-7XX, FY16-802	Follow-up on outstanding audit recommendations.	Follow-up	300	394	(94)		
Total Audit Project Planned Hours (A)				6,747	5,176	1,571		

**Orange County Transportation Authority
Internal Audit Department
FY 2016-17 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours to Date	Under (Over)	Status (Date Issued)	External Auditor
Internal Audit Administration								
Board of Directors and Committee Meetings				260	114	147		
Executive Steering and Agenda Setting Meetings				180	126	55		
Internal Audit Staff Meetings				150	50	100		
Other Administration				1,500	1,159	341		
Total Hours (B)				8,837	6,624	2,213		
Department Target Efficiency				75%				
Target Efficiency - Professional Staff				80%				

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/3/2014	N/A	Finance and Administration (F&A) and Transit	Performance Audit of the Orange County Transportation Authority's (OCTA) Continuity Plan	Auditors recommended that management update the Business Impact Analysis (BIA) and the Continuity of Operations Plan (Plan) to address the 13 weaknesses noted.	Jun-17	Management responded that efforts are underway to update certain portions of the BIA and the Plan. Also, at the direction of the F&A Committee Chairman, staff has agreed to specifically address each issue and planned corrective actions with the Security Working Group of the Board of Directors (Board). <u>Update September 2015:</u> Management has taken actions to adequately address seven of the thirteen weaknesses noted in the audit. The remaining six are expected to be corrected upon completion of the Threat and Hazard Identification and Risk Assessment project and the comprehensive revision of the BIA. The Internal Audit Department (Internal Audit) will follow-up on the remaining issues in one year. <u>Update September 2016:</u> Internal Audit requested update; management indicated that documents will not be completed until May 2017.	Bonelli	Initiate next update in June 2017
10/15/2015	N/A	Human Resources and Operational Development (HROD)	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management formalize and document the plan governance structure and committee structure. Committee configuration should be reviewed and consideration given to appointing a member to represent employee groups participating in the plan. Committee members should be appointed and policies should be approved by OCTA.	Jun-17	The Investment Policy (IP) Statement will be formally approved and made available to participants electronically. Management will also post the quarterly meeting minutes, the quarterly reports, and the Account Policy. The committee composition will be included in the IP Statement, with consideration given to expanding the committee. These tasks will be completed by the end of calendar year 2015. <u>Update May 2016:</u> Management has not fully implemented all recommendations. Additional recommendations were provided to encourage management to research and implement best practices with regard to the Committee charter, the IP Statement, and Committee composition. <u>Update December 2016:</u> Management has partially implemented this recommendation; however, an updated IP statement and revisions to the Personnel and Salary Resolution (P&SR) are not yet complete.	Sutter	Initiate next update June 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
10/15/2015	N/A	HROD	Investigation and Limited Scope Review of Administration of the Deferred Compensation Plan and the Plan Revenue Reimbursement Account	Internal Audit recommends management: 1. Ensure committee members annually reaffirm the IP Statement. 2. Provide training and require committee members to monitor fees charged to the plan and its participants and, when applicable, attempt to negotiate fees to a reasonable level. 3. Exercise oversight of Benefit Funding Services Group (BFSG) to ensure all deliverables required by the agreement are provided. 4. Review invoices for compliance with the agreement terms and obtain proper approval before submitting to Nationwide Retirement Solutions (NRS) for payment.	Jun-17	1. The IP Statement will be annually reaffirmed by the committee. 2. BFSG will provide training to committee members on an annual basis and committee members will review annual reports provided by BFSG and will work with the Contracts Administration and Materials Management Department to negotiate fees if they are deemed unreasonable. 3. Management will ensure that OCTA receives all deliverables specified in the contract. Management will ensure that required annual fee reports are provided by BFSG. 4. BFSG will be required to include the appropriate certification language on all future invoices. All future BFSG invoices will be properly reviewed for compliance with the agreement terms and two authorized parties will approve the invoices before submitting to NRS for payment. <u>Update May 2016:</u> Management has taken some actions; however, additional recommendations were provided in order for management to properly address weaknesses. <u>Update December 2016:</u> Management has partially addressed recommendations; however a revised IP statement is pending and committee member training has not yet occurred.	Sutter	Initiate next update June 2017
1/19/2016	N/A	Transit	City of Santa Ana, Senior Mobility Program (SMP)	Internal Audit recommends management: 1. Develop program guidelines, including definition of allowable trip types, requirements for revenue reporting, acceptable allocation of costs, and retention of supporting documentation. 2. Amend cooperative agreements to include detailed information on program requirements. 3. Provide training to cities and exercise oversight to ensure compliance with the Ordinance, cooperative agreements, and program guidelines.	Feb-17	Management will review the current agreement language and scopes of work for each SMP and revise to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received. <u>Update August 2016:</u> Management has addressed parts 1 and 2 of the recommendation. Since the new monitoring/site visits will not begin until September 2016, part 3 will remain open.	Ng	In Process

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends management request the City of Santa Ana (City) strengthen controls over timekeeping and periodically review supporting documentation to ensure accuracy of labor charges to the project. Management should also consider disallowing sub-consultant markups through update of contract language in cooperative agreements.	Jul-17	The gas tax agreement will be amended to require City to certify that their quarterly reconciliation report of actual expenses versus monthly payment requests, including labor hours charged, are true and correct. Staff will review a sample of supporting documents to verify actual expenses and that labor hours billed are supported by time sheets on file. The gas tax agreement will be amended to specifically disallow sub-consultant markups. <u>Update September 2016:</u> The amendment has not been executed due to City's disagreement with certain terms. After the amendment is executed, staff will review a sample of supporting documentation from quarterly reconciliation reports. <u>Update January 2017:</u> Amendment No. 6 was executed to require that the quarterly reconciliation reports include supporting documentation, as well as certification that City has deducted all sub-consultant markup costs. Since staff will begin periodically reviewing a sample of supporting documentation to verify labor and other costs charged now that the amendment is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/29/2016	FY15-515	Capital Programs	Oversight Controls, Contract Compliance, and Billings Related to the Bristol Street Widening Project	Internal Audit recommends that management design and implement a cost review process that includes review of a sample of City costs charged to the gas tax agreement. Internal Audit also recommends management instruct the City to correct its quarterly reconciliation reports and implement procedures to reconcile City reports with OCTA records.	Jul-17	Staff will periodically sample supporting documentation for costs charged to verify the charges are project-related, supported, and reasonable. Also, the City will be instructed to correct quarterly reconciliation reports based on these audit findings and staff will reconcile each quarterly report with records of payments made under the gas tax agreement. <u>Update September 2016:</u> After the amendment is executed, staff will review a sample of supporting documentation from the City's quarterly reconciliation reports. As of follow-up review, the City made an attempt to adjust its quarterly reconciliation report but did not implement the adjustment fully and correctly; therefore, Internal Audit will keep the recommendation open and ask management to provide suggestions to the City on how to correct its quarterly reconciliation reports. <u>Update January 2017:</u> The City has corrected the overstatement of funding received in the Revised 2nd Quarter 2016 Report. Since staff will begin periodically reviewing a sample of supporting documentation to verify costs charged now that Amendment 6 is executed, Internal Audit will return in six months to assess staff's review of costs charged.	Ng	Initiate next update in July 2017
4/4/2016	FY15-513	F&A, Capital Programs	Accounts Payable (AP)	Internal Audit recommends management provide training to ensure consistent enforcement of policies and procedures by AP staff and advise department staff responsible for the exceptions of OCTA's policies and procedures.	Jun-17	The AP supervisor meets bi-weekly with staff and has included training on AP procedures and responsibilities and has/will communicate to departments responsible for the related exceptions as to OCTA's Policies and Procedures. <u>Update January 2017:</u> During the course of the follow-up review, Internal Audit identified additional instances of violations of the Payment Request Policy and the Payment Authorization Policy. Four recommendations were made to F&A and Capital Programs related to the use of Payment Requests for payments against contracts for goods/services not authorized by the contract at the time the expenses were incurred.	Bonelli	Initiate next update June 2017

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
8/31/2016	FY16-508	External Affairs	Customer Relations	Management should implement a quality control review process to ensure the accuracy of monthly reports.	Feb-17	Customer Relations will implement a quality control review process to ensure accuracy. In addition, Customer Relations is already working with Information Systems Department staff to automate reports through the dashboard, which will reduce the incidence of human error and increase accuracy.	Dunning	In Process
8/31/2016	FY16-508	External Affairs	Customer Relations	Internal Audit recommends that management establish criteria and procedures for performing documented reconciliations and periodic, independent verifications of bus pass inventories maintained by Customer Relations and Marketing staff.	Feb-17	Customer Relations has updated the policies and procedures for performing documented reconciliations and independent verifications of bus pass inventories. An independent verification has begun and will be performed quarterly.	Dunning	In Process
10/31/2016	N/A	F&A	Fiscal Year 2015-16 Management Letter	Vavrinek, Trine, Day & Co. LLP auditors made four recommendations related to enhancements to information systems security.	Jan-18	Management responded that recommendations would be evaluated and implemented as appropriate.	Tang	
1/4/2017	FY17-502	F&A	Payment Card Industry/Data Security Standard (PCI-DSS) Compliance	Management should evaluate resources and controls to ensure full compliance and develop a proposal to achieve compliance and/or provide a reasonable approach moving forward. Management should implement oversight controls to assess the accuracy, timeliness, and sufficiency of Cofiroute USA's (Cofiroute) PCI DSS compliance information.	Jul-17	Management take the following actions: (1) engage a third party PCI Security Assessor to perform Self-Assessment Questionnaires (SAQ) going forward; (2) assess the remediation items identified in the SAQ and address items that fall into existing security improvement efforts; (3) perform a yearly assessment of Cofiroute's PCI DSS compliance information; (4) undergo a review to determine if OCTA should take the steps necessary to become fully PCI compliant; (5) continue to allocate and prioritize resources to cybersecurity risks while addressing PCI compliance concerns.		

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
1/4/2017	FY17-502	F&A	PCI-DSS Compliance	Management should implement procedures to ensure that quarterly network scans are performed and remediation efforts are identified and addressed accordingly. Management should also implement procedures for oversight and monitoring of Cofiroute's activities and incorporate their system scan results into submissions to American Express.	Jul-17	Management agrees with Internal Audit's recommendation and will implement procedures to ensure quarterly network scans are performed. Management will also identify items to be remediated and implement them based on risk and cost. Management will allocate resources to perform periodic assessments of Cofiroute's PCI DSS compliance information.		
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Procedures should be developed and documented for the budget development and transfer processes. Management should also ensure project variances exceeding the threshold are investigated in accordance with the budget to actual reporting procedures, or alternatively clarify the investigation requirements in such procedures	Aug-17	Management agrees with the recommendation and will re-evaluate and document all salary and benefit budget assumptions at a lower level of detail. Also, management will ensure project variances exceeding the threshold continue to be investigated in accordance with the budget to actual reporting procedures, and will clarify investigation requirements in such procedures.	Ng	
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should implement procedures to ensure that changes to salary grade levels are based on reasonable and consistent methodologies and that documentation is maintained. Changes should also be communicated to management prior to seeking Board approval.	Aug-17	HR management will ensure that P&SR changes are communicated to management prior to seeking Board approval. During the budget process, salary grade level changes to the P&SR will be presented to the Executive Steering Committee prior to Board approval. Current documentation methods for classification salary grade changes will be reviewed to determine the best practice for documenting these actions. HR is in the process of obtaining a compensation and market salary data system. This system will be utilized to enhance data collection, consistency, and documentation.	Ng	

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
2/15/2017	FY16-509	F&A	Budget Development, Monitoring, and Reporting	Management should clarify the Position Control Policy (Policy) with regard to Board approved positions, develop procedures to ensure that the total number of employees does not exceed the Board-approved number, and obtain Chief Executive Officer (CEO)-approval for dual-filled positions. Management should also develop controls to ensure compliance with the	Aug-17	The Policy will be reviewed and revised to clarify the approval process by the OCTA Board. Current procedures will be reviewed to determine if further action is required to ensure the total number of employees do not exceed the Board approved number. In addition, recruitments that will result in a dual-fill will require the authorization of the CEO.	Ng	
3/8/2017	N/A	Planning, Transit	Measure M Agreed-Upon Procedures Reports	Staff should monitor implementation of auditor recommendations included in the Measure M Agreed-Upon Procedures Reports	Sep-17	<u>Note:</u> Multiple recommendations were made to the County of Orange (County) and several cities related to the Local Fair Share, Senior Mobility Program, and Senior Non-Emergency Medical Transportation Program. The County and city management responses are included with the reports and follow-up with the County and applicable cities will be performed by OCTA staff.	Sutter	
3/9/2017	FY17-507	F&A	OCTA Policies & Procedures	Management should update procedures to include a communications plan to ensure that employees expected to comply with policies are properly notified. Communication should occur, as appropriate, for both new and revised policies	Sep-17	Management agrees with the recommendation and has taken steps to ensure communication is made to all employees when new policies are created or existing policies are updated.	Dunning	
3/9/2017	FY17-508	F&A	OCTA Policies & Procedures	Management should implement procedures to notify division management of expiring policies. Follow-up should be performed to ensure policies are reviewed and updated in a timely manner.	Sep-17	Management agrees with the recommendation and will take steps to ensure that policies are updated on the mandated two year cycle.	Dunning	

OUTSTANDING AUDIT FINDINGS AND RECOMMENDATIONS

(Audit Reports Issued Through March 31, 2017)

Audit Issue Date	Report Number	Division / Department / Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Auditor	Notes
3/9/2017	FY17-509	F&A	OCTA Policies & Procedures	Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.	Sep-17	Management agrees with the recommendation and will implement procedurs to ensure that the master list of policies and procedures is maintained with accuracy and completeness.	Dunning	



April 26, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Local Agency Investment Fund - February 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 February 28, 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 February 28, 2017, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$69,537,466,419 with a month-average yield of 0.78 percent and a month-end weighted average maturity of 186 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$22,185,790,995. The Orange County Transportation Authority's month-end balance in LAIF was \$10,234,175.

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 February 28, 2017.

Attachment

A. Local Agency Investment Fund – As of February 28, 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
March 15, 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

February 2017 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	10,234,174.50
Total Withdrawal:	0.00	Ending Balance:	10,234,174.50



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
02/13/17	0.78	0.76	190
02/14/17	0.78	0.76	189
02/15/17	0.78	0.76	194
02/16/17	0.78	0.76	193
02/17/17	0.78	0.76	192
02/18/17	0.78	0.76	192
02/19/17	0.78	0.76	192
02/20/17	0.78	0.76	192
02/21/17	0.78	0.76	187
02/22/17	0.78	0.76	185
02/23/17	0.78	0.76	182
02/24/17	0.78	0.76	181
02/25/17	0.78	0.76	181
02/26/17	0.78	0.76	181
02/27/17	0.78	0.76	179
02/28/17	0.79	0.76	186
03/01/17	0.79	0.76	192
03/02/17	0.80	0.77	196
03/03/17	0.80	0.77	198
03/04/17	0.80	0.77	198
03/05/17	0.80	0.77	198
03/06/17	0.80	0.77	196
03/07/17	0.80	0.77	195
03/08/17	0.80	0.77	195
03/09/17	0.81	0.77	195
03/10/17	0.81	0.77	196
03/11/17	0.81	0.77	196
03/12/17	0.81	0.77	196
03/13/17	0.81	0.77	194
03/14/17	0.82	0.77	193
03/15/17	0.82	0.77	191

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

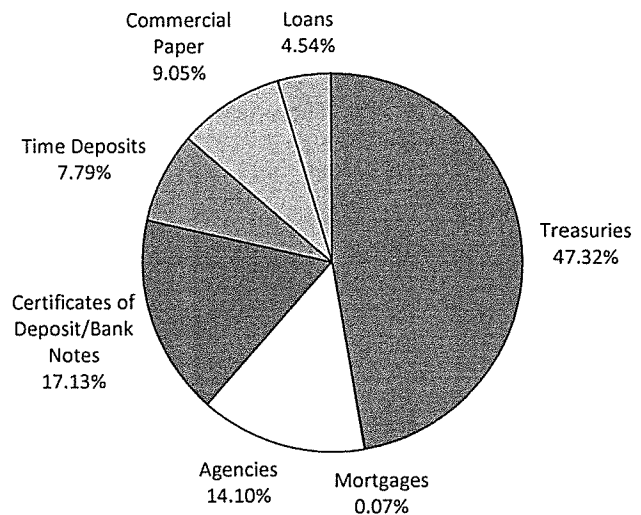
Quarter Ending 12/31/16

Apportionment Rate: 0.68%
 Earnings Ratio: 0.00001851848158529
 Fair Value Factor: 0.999423823
 Daily: 0.74%
 Quarter to Date: 0.68%
 Average Life: 171

**PMIA Average Monthly
Effective Yields**

Feb 2017 0.777%
 Jan 2017 0.751%
 Dec 2016 0.719%

**Pooled Money Investment Account
Portfolio Composition
02/28/17
\$69.5 billion**



Based on data available as of 3/15/2017



Fair Value Including Accrued Interest	\$	69,537,466,419.30
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Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).



April 26, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Local Agency Investment Fund - March 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 March 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 March 31, 2017, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$71,933,590,418 with a month-average yield of 0.82 percent and a month-end weighted average maturity of 180 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$21,350,691,895. The Orange County Transportation Authority's month-end balance in LAIF was \$10,234,175.

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 March 31, 2017.

Attachment

A. Local Agency Investment Fund – As of March 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
April 17, 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

March 2017 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	10,234,174.50
Total Withdrawal:	0.00	Ending Balance:	10,234,174.50



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
03/14/17	0.82	0.77	193
03/15/17	0.82	0.77	191
03/16/17	0.82	0.77	190
03/17/17	0.83	0.77	190
03/18/17	0.83	0.77	190
03/19/17	0.83	0.78	190
03/20/17	0.83	0.78	188
03/21/17	0.83	0.78	185
03/22/17	0.83	0.78	184
03/23/17	0.83	0.78	184
03/24/17	0.83	0.78	186
03/25/17	0.83	0.78	186
03/26/17	0.83	0.78	186
03/27/17	0.83	0.78	181
03/28/17	0.83	0.78	180
03/29/17	0.84	0.78	180
03/30/17	0.85	0.78	181
03/31/17	0.85	0.78	180
04/01/17	0.86	0.86	181
04/02/17	0.86	0.86	181
04/03/17	0.86	0.86	183
04/04/17	0.86	0.86	184
04/05/17	0.86	0.86	184
04/06/17	0.87	0.86	181
04/07/17	0.87	0.86	181
04/08/17	0.87	0.86	181
04/09/17	0.87	0.86	181
04/10/17	0.87	0.86	181
04/11/17	0.87	0.87	181
04/12/17	0.87	0.87	183
04/13/17	0.88	0.87	182

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

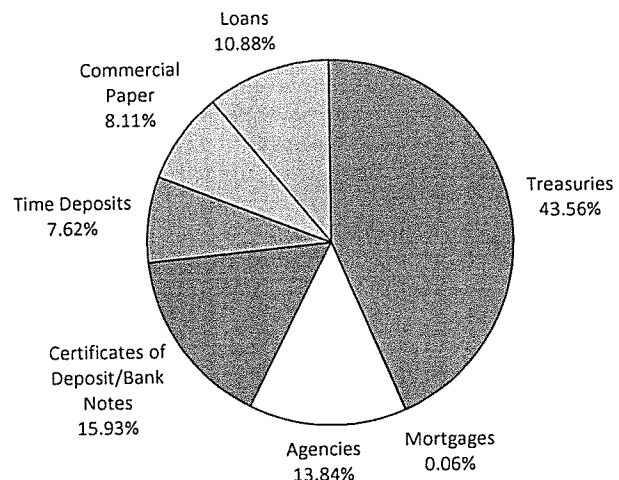
Quarter Ending 03/31/17

Apportionment Rate: 0.78%
 Earnings Ratio: 0.00002126194403179
 Fair Value Factor: 0.999175951
 Daily: 0.85%
 Quarter to Date: 0.78%
 Average Life: 180

**PMIA Average Monthly
Effective Yields**

Mar 2017 0.821%
 Feb 2017 0.777%
 Jan 2017 0.751%

**Pooled Money Investment Account
Portfolio Composition
03/31/17
\$71.9 billion**





State of California
Pooled Money Investment Account
Market Valuation
3/31/2017

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
1* United States Treasury:				
Bills	\$ 11,529,529,518.46	\$ 11,555,331,831.40	\$ 11,547,993,500.00	NA
Notes	\$ 19,784,669,253.72	\$ 19,783,508,723.77	\$ 19,749,210,500.00	\$ 33,930,754.00
1* Federal Agency:				
SBA	\$ 866,949,257.52	\$ 866,912,128.47	\$ 858,953,922.79	\$ 729,325.65
MBS-REMICs	\$ 44,788,917.08	\$ 44,788,917.08	\$ 47,053,192.13	\$ 211,005.30
Debentures	\$ 949,997,076.07	\$ 949,997,076.07	\$ 946,506,000.00	\$ 1,591,535.50
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 7,768,611,458.36	\$ 7,782,989,930.58	\$ 7,780,400,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
1* Supranational Debentures	\$ 299,965,313.04	\$ 299,965,313.04	\$ 298,392,500.00	\$ 492,013.50
1* Supranational Debentures FR	\$ 50,000,000.00	\$ 50,000,000.00	\$ 50,073,000.00	\$ 121,526.17
2* CDs and YCDs FR	\$ 300,000,000.00	\$ 300,000,000.00	\$ 300,000,000.00	\$ 670,902.50
2* Bank Notes	\$ 600,000,000.00	\$ 600,000,000.00	\$ 599,607,935.89	\$ 1,439,055.55
2* CDs and YCDs	\$ 10,550,000,000.00	\$ 10,550,000,000.00	\$ 10,547,089,360.14	\$ 25,231,888.90
2* Commercial Paper	\$ 5,830,869,194.46	\$ 5,839,554,041.75	\$ 5,838,495,499.98	NA
1* Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
1* Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
1* Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 5,480,740,000.00	\$ 5,480,740,000.00	\$ 5,480,740,000.00	NA
AB 55 & GF Loans	\$ 7,824,657,000.00	\$ 7,824,657,000.00	\$ 7,824,657,000.00	NA
TOTAL	\$ 71,880,776,988.71	\$ 71,928,444,962.16	\$ 71,869,172,410.93	\$ 64,418,007.07

Fair Value Including Accrued Interest

\$ 71,933,590,418.00

* Governmental Accounting Standards Board (GASB) Statement #72

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

The value of each participating dollar equals the fair value divided by the amortized cost (0.999175951).
As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,983,519.02 or \$20,000,000.00 x 0.999175951.



April 26, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Treasurer's Management Report - February 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 February 28, 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 February 28, 2017, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,420,043,910 with a monthly gross yield of 0.58 percent and a month-end average days to maturity of 48 days. The OCIP Extended Fund book value was \$5,890,423,740 with a monthly yield of 1.11 percent and a month-end average days to maturity of 511 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$33,568; the combined pool had a monthly yield of 0.90 percent and month-end average days to maturity of 358 days.

During February, there was one change to the Treasurer's Approved Issuer List. Microsoft Corporation's long-term rating by Fitch was removed from Negative Watch. On March 6, 2017, S&P Global Ratings affirmed its Principal Stability Fund Rating of "AAAm" for the Orange County Money Market Fund. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 31 through 86 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 February 28, 2017.

Attachment

A. Treasurer's Monthly Investment Report – February 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** FEBRUARY 2017 **REPORT**

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



COUNTY OF ORANGE

TREASURER'S INVESTMENT REPORT
For February 28, 2017

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



INTERDEPARTMENTAL COMMUNICATION

Date: March 15, 2017

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

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

Subject: Treasurer's Investment Report for the Month Ended February 28, 2017

Attached, please find the Treasurer's Investment Report for the County of Orange for the month ended February 28, 2017. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of February 28, 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 48 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 79. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.38). The duration is currently at 1.39. 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 February, the job market added 235,000 new jobs, and January's job numbers were revised upwards by 11,000 to 238,000. The U.S. unemployment rate for February fell to 4.7%, from 4.8% in January. U.S. gross domestic product (GDP) rose at a 1.9% annualized rate in the fourth quarter of 2016, unchanged from previous quarter's

1.9%. The Empire State Manufacturing Index increased to 18.7, from 6.5 in January, while the Philadelphia Fed Index increased to 43.3, from 23.6 in January. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, the S&P/CaseShiller U.S. Index reported that housing prices continue to show positive momentum as year-over-year prices increased for the fifty-sixth consecutive month in December, up 5.85% from a year ago. The index for pending home sales increased 2.7% on a year-over-year basis in January. The 10-year Treasury rate fell from 2.45% in January to 2.36% in February.

The short-term 90-day T-bill ended the month at 0.53%, up from 0.52% in January. The rate on the 2-year Treasury note was 1.22% at the end of February, up from 1.19% in January.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.81% for the Orange County Investment Pool and 0.80% for the Orange County Educational Investment Pool. The current net yield for fiscal year 2016/2017 is 0.74% and 0.74% respectively. The forecasted net yield for fiscal year 2016/2017 for both OCIP and OCEIP is expected to be 0.77%.

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 months following. The February 2017 interest apportionment is expected to be paid by March 31, 2017. The investment administrative fee for fiscal year 2016/2017 is estimated at 6.5 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. There are no temporary transfers outstanding as of February 28, 2017.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. The Investment Pools have a total market value of \$442.2 million in County of Orange debt, which represents approximately 5.3% 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 February 2017. The Auditor-Controller issued their Report on Review of the Schedule of Assets Held by the Treasury as of September 30, 2016 and stated that no material modifications needed to be made to the financial statements prepared on a modified cash-basis of accounting.

CREDIT UPDATE

During February, there was one change to the Treasurer's Approved Issuer List. Microsoft Corporation's long-term rating by Fitch was removed from Negative Watch. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of February 28, 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

	FEBRUARY 2017	JANUARY 2017	INCREASE (DECREASE)	NET CHANGE %	FEBRUARY 2016	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ^{1,2}	\$ 4,297,940,588	\$ 4,115,913,802	\$ 182,026,786	4.42%	\$ 3,882,197,428	\$ 415,743,160	10.71%
End Of Month Book Value ²	\$ 4,304,594,985	\$ 4,122,022,500	\$ 182,572,485	4.43%	\$ 3,879,363,466	\$ 425,231,519	10.96%
Monthly Average Balance ²	\$ 4,217,383,777	\$ 4,265,192,160	\$ (47,808,383)	-1.12%	\$ 3,785,406,926	\$ 431,976,851	11.41%
Year-To-Date Average Balance	\$ 3,986,586,669	\$ 3,953,615,654	\$ 32,971,015	0.83%	\$ 3,630,373,948	\$ 356,212,722	9.81%
Monthly Accrued Earnings ³	\$ 3,040,342	\$ 3,057,176	\$ (16,834)	-0.55%	\$ 2,136,866	\$ 903,476	42.28%
Monthly Net Yield ³	0.87%	0.78%	0.09%	12.05%	0.65%	0.23%	35.50%
Year-To-Date Net Yield ³	0.74%	0.73%	0.02%	2.48%	0.53%	0.22%	40.72%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.64%	0.20%	30.43%
Weighted Average Maturity (WAM)	358	364	(6)	-1.65%	345	13	3.77%
Orange County Educational Investment Pool (OCEIP)							
End Of Month Market Value ¹	\$ 4,034,862,936	\$ 4,309,364,542	\$ (274,501,606)	-6.37%	\$ 3,949,367,730	\$ 85,495,206	2.16%
End Of Month Book Value	\$ 4,050,156,920	\$ 4,315,817,312	\$ (265,660,392)	-6.16%	\$ 3,946,351,452	\$ 103,805,468	2.63%
Monthly Average Balance	\$ 4,185,099,022	\$ 4,476,491,493	\$ (291,392,471)	-6.51%	\$ 4,083,130,292	\$ 101,968,730	2.50%
Year-To-Date Average Balance	\$ 3,991,128,250	\$ 3,963,418,140	\$ 27,710,110	0.70%	\$ 3,694,022,821	\$ 297,105,429	8.04%
Monthly Accrued Earnings ³	\$ 3,098,239	\$ 3,188,254	\$ (90,016)	-2.82%	\$ 2,287,393	\$ 810,846	35.45%
Monthly Net Yield ³	0.90%	0.76%	0.14%	18.13%	0.63%	0.27%	43.38%
Year-To-Date Net Yield ³	0.74%	0.72%	0.02%	3.07%	0.54%	0.20%	37.36%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.65%	0.19%	28.64%
Weighted Average Maturity (WAM) ⁵	393	360	33	9.17%	338	55	16.27%

¹ Market values provided by Bloomberg and Northern Trust. Market values are slightly lower than book values due to the recent Federal Reserve short-term rate increase, but both pools have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² In February 2017, OCIP end of month market and book values, and monthly average balance were higher than February 2016 due to an increase in the Federal Reserve short-term rate of 25 basis points and investments in longer-term, higher yielding securities. Monthly net yields were higher than January 2017 primarily because the February earnings were spread over fewer days with 28 days in February.

³ In February 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than January 2017 primarily because the February earnings were spread over fewer days with 28 days in February.

⁴ The OCIP and OCEIP Annual Estimated Gross Yield for February 2016 is reported at the actual annual gross yield for FY15/16, and their Annual Estimated Gross Yield for February 2017 is reported at the latest forecasted gross yields of 0.84%. The Annual Estimated Gross Yield for FY 16/17 is higher than FY 15/16 due to an increase of the Federal Reserve short-term rate of 25 basis points, reductions in excess liquidity, and improved cash management while maintaining the same high credit quality of securities.

⁵ The OCEIP WAM was higher than February 2016 due to investments in longer-term securities.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: FEBRUARY 28, 2017

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 2/28/17	MONTHLY Gross Yield	Current NAV
<u>COMBINED POOL BALANCES</u> <u>(includes the Extended Fund)</u>					
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,297,940,588 COST (Capital) \$ 4,312,396,747 MONTHLY AVG Balance \$ 4,217,383,777 BOOK Value \$ 4,304,594,985	358	0.90%	0.94%	1.00
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 4,034,862,936 COST (Capital) \$ 4,050,156,920 MONTHLY AVG Balance \$ 4,185,099,022 BOOK Value \$ 4,042,005,286	393	0.92%	0.96%	1.00

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
Specific Investment Funds: 100, 283, 505, 650 FVSD	MARKET Value \$ 153,635,323 COST (Capital) \$ 153,742,907 MONTHLY AVG Balance \$ 153,703,602 BOOK Value \$ 153,693,248	General Fund - Non AMT Restricted \$ 67,445,262 John Wayne Airport Investment Fund 50,351,288 Repurchase Agreement 1,081,500 Fountain Valley School District Fund 40 34,864,857 \$ 153,742,907

MONTH END TOTALS

INVESTMENTS & CASH		INVESTMENTS & CASH	
<u>COUNTY MONEY MARKET FUND (OCMMF)</u>			
County Money Market Fund	\$ 1,420,487,803	OCIP	\$ 4,322,769,449
County Cash	10,372,702	OCEIP	4,054,934,493
<u>EXTENDED FUND</u>	5,905,448,944	Specific Investment Funds	153,742,907
<u>EDUCATIONAL MONEY MARKET FUND (OCEMMF)</u>		Non Pooled Cash	24,434,994
Educational Money Market Fund	1,036,616,920		
Educational Cash	4,777,573		
<u>NON POOLED INVESTMENTS & CASH</u>			
Non Pooled Investments	153,742,907		
Non Pooled Cash	24,434,994		
	\$ 8,555,881,843		\$ 8,555,881,843

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.58%	OCMMF	48
OCEMMF - MONTHLY GROSS YIELD	0.60%	OCEMMF	50
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	0.59%	JOHN WAYNE AIRPORT WAM	79
OCIP - YTD NET YIELD***	0.74%	LGIP WAM (Standard & Poors)	46
OCEIP - YTD NET YIELD***	0.74%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	0.52%		

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: FEBRUARY 28, 2017

INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 2/28/17	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,420,356,645 COST (Capital) \$ 1,420,487,803 MONTHLY AVG Balance \$ 1,329,564,169 BOOK Value \$ 1,420,043,910	48	0.55%	0.58%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,036,250,434 COST (Capital) \$ 1,036,616,920 MONTHLY AVG Balance \$ 1,171,559,022 BOOK Value \$ 1,036,132,620	50	0.58%	0.60%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,876,196,444 COST (Capital) \$ 5,905,448,944 MONTHLY AVG Balance \$ 5,901,359,608 BOOK Value \$ 5,890,423,740	511	1.06%	1.11%	1.00
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> OCIP Share	MARKET Value \$ 2,877,583,942 COST (Capital) \$ 2,891,908,944 MONTHLY AVG Balance \$ 2,887,819,608 BOOK Value \$ 2,884,551,075	511	1.06%	1.11%	1.00
OCEIP Share	MARKET Value \$ 2,998,612,501 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 BOOK Value \$ 3,005,872,665	511	1.06%	1.11%	1.00
<u>Modified Duration</u>	1.39				

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

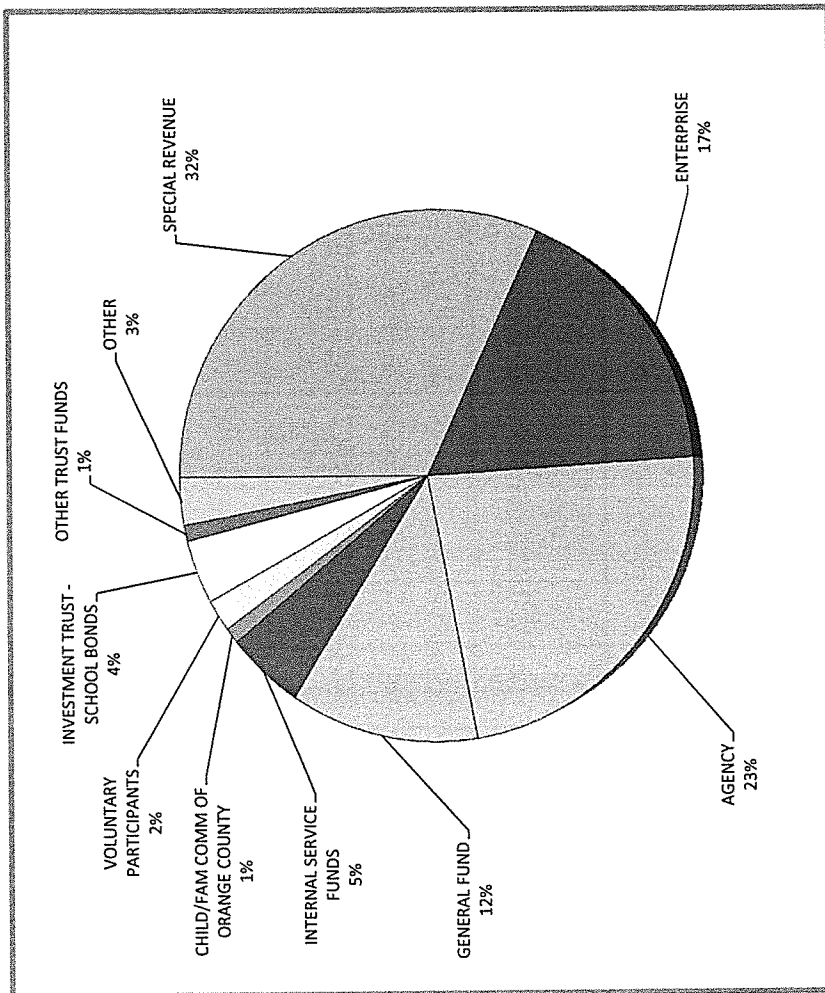
** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

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

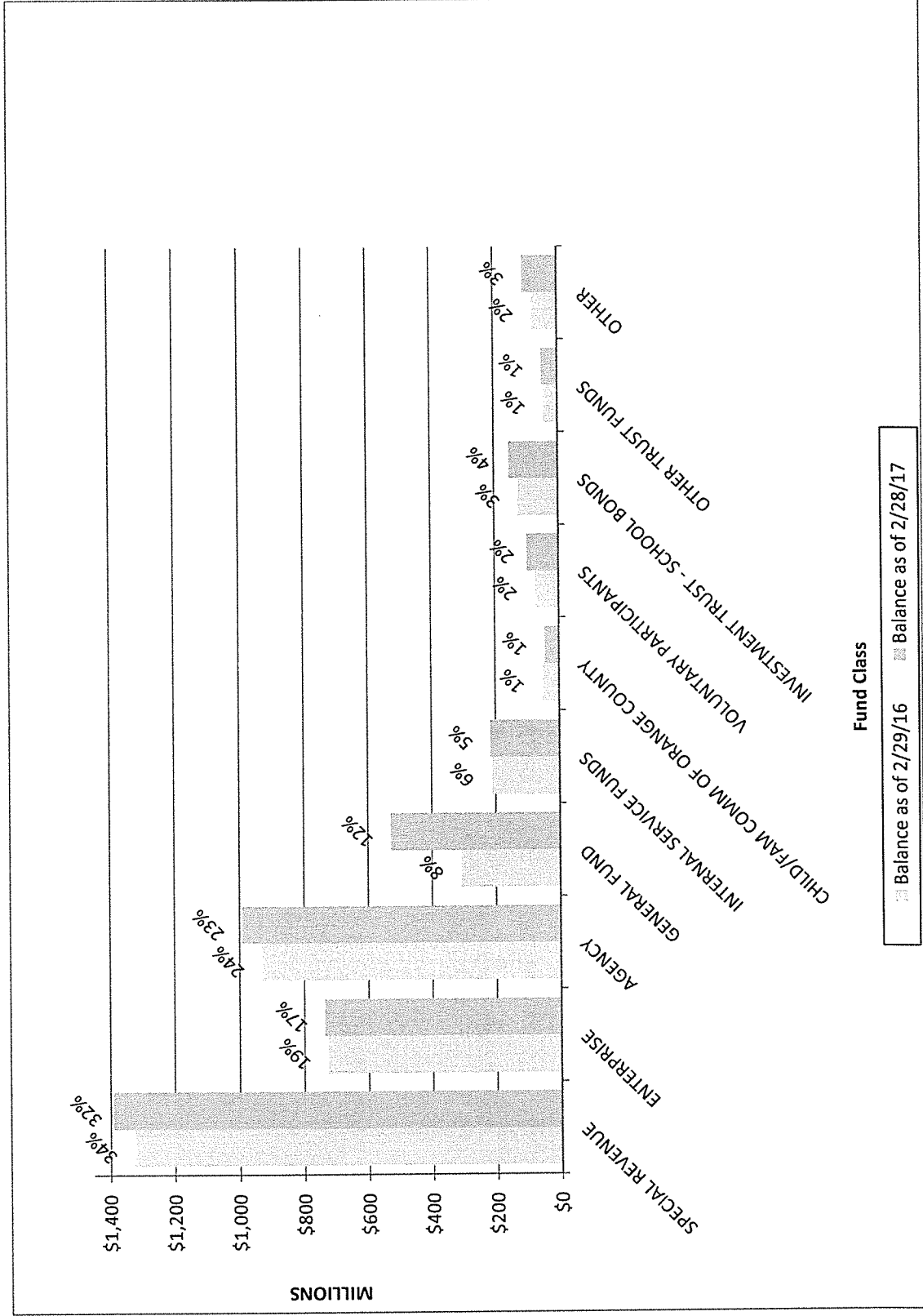
**** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF FEBRUARY 28, 2017

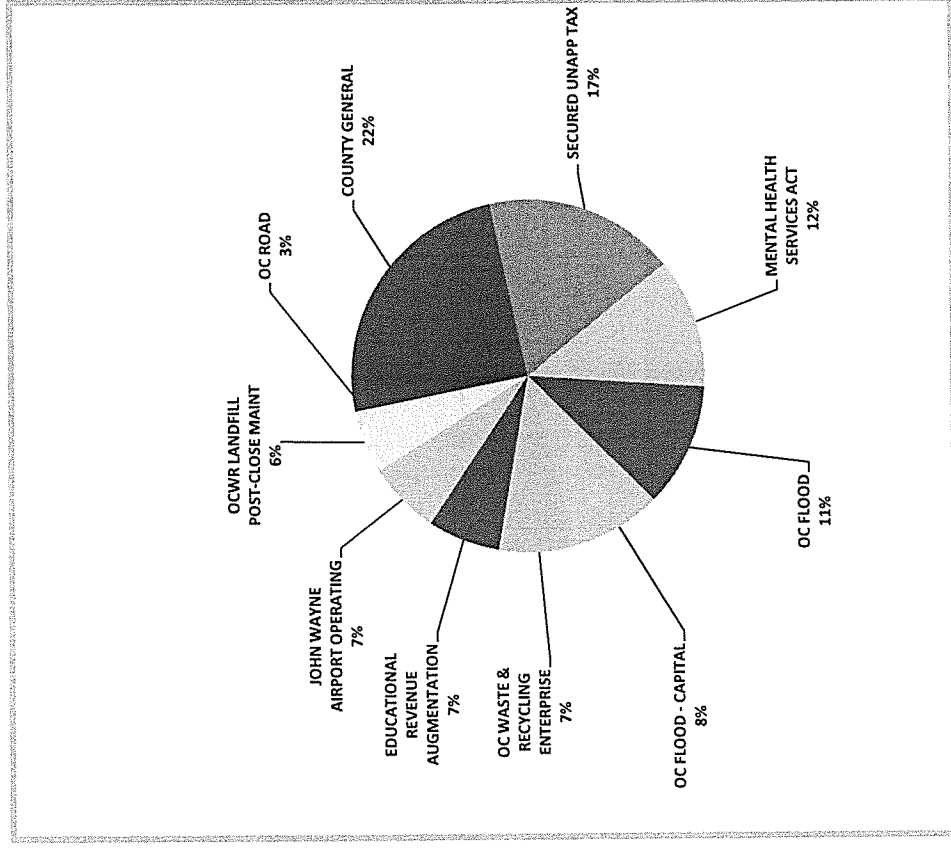
FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,391,164,056
AGENCY	992,254,505
ENTERPRISE	737,043,737
GENERAL FUND	528,648,149
INTERNAL SERVICE FUNDS	215,284,391
INVESTMENT TRUST - SCHOOL BONDS	153,728,549
VOLUNTARY PARTICIPANTS	99,628,157
CHILD/FAM COMM OF ORANGE COUNTY	45,967,840
OTHER TRUST FUNDS	50,379,141
OTHER	108,670,924
TOTAL	\$ 4,322,769,449



ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF FEBRUARY 28



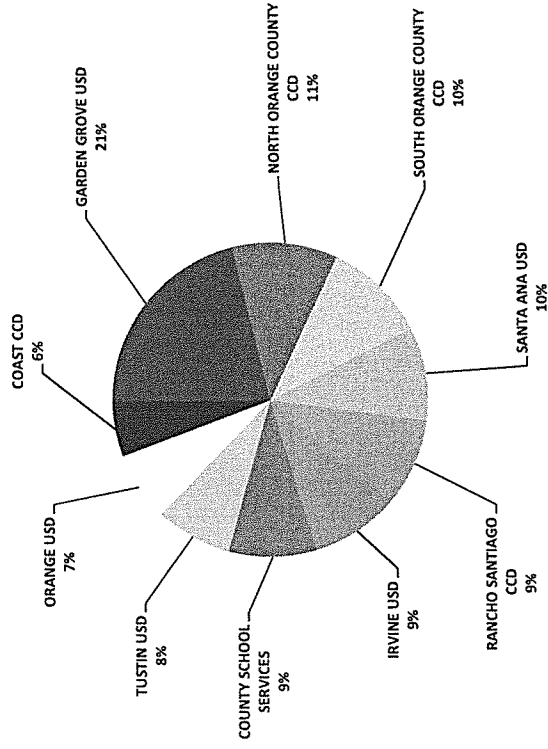
ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF FEBRUARY 28, 2017



FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 505,138,728
673	SECURED UNAPP TAX	411,399,114
13Y	MENTAL HEALTH SERVICES ACT	280,539,792
400	OC FLOOD	265,646,027
404	OC FLOOD - CAPITAL	187,659,486
299	OC WASTE & RECYCLING ENTERPRISE	170,952,001
664	EDUCATIONAL REVENUE AUGMENTATION	156,613,146
280	JOHN WAYNE AIRPORT OPERATING	155,316,135
279	OCWR LANDFILL POST-CLOSE MAINT	135,916,640
115	OC ROAD	74,121,037
TOTAL		\$ 2,343,302,106

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF FEBRUARY 28, 2017

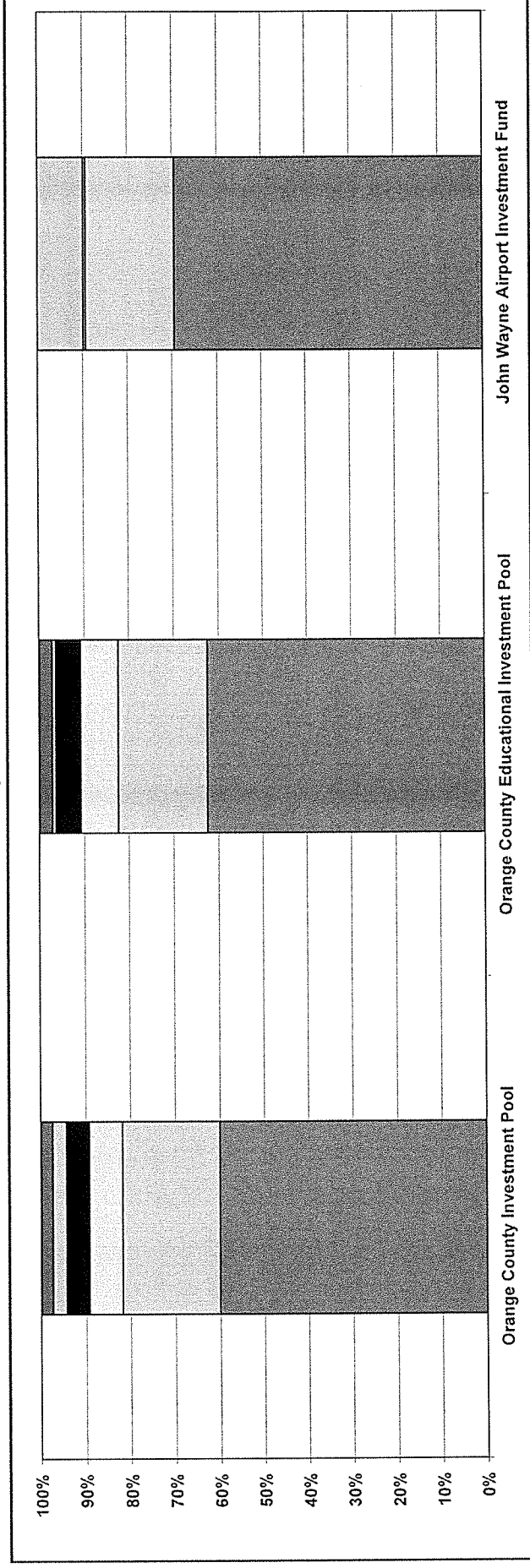
DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 554,103,376
88	NORTH ORANGE COUNTY CCD	284,209,508
96	SOUTH ORANGE COUNTY CCD	276,570,635
84	SANTA ANA USD	250,861,214
92	RANCHO SANTIAGO CCD	240,161,027
75	IRVINE USD	237,214,963
94	COUNTY SCHOOL SERVICES	235,283,132
87	TUSTIN USD	205,940,186
80	ORANGE USD	184,550,309
90	COAST CCD	151,146,905
	TOTAL	\$ 2,620,041,255



ORANGE COUNTY TREASURER - TAX COLLECTOR

BY INVESTMENT TYPE - By Percentage Holdings

February 28, 2017



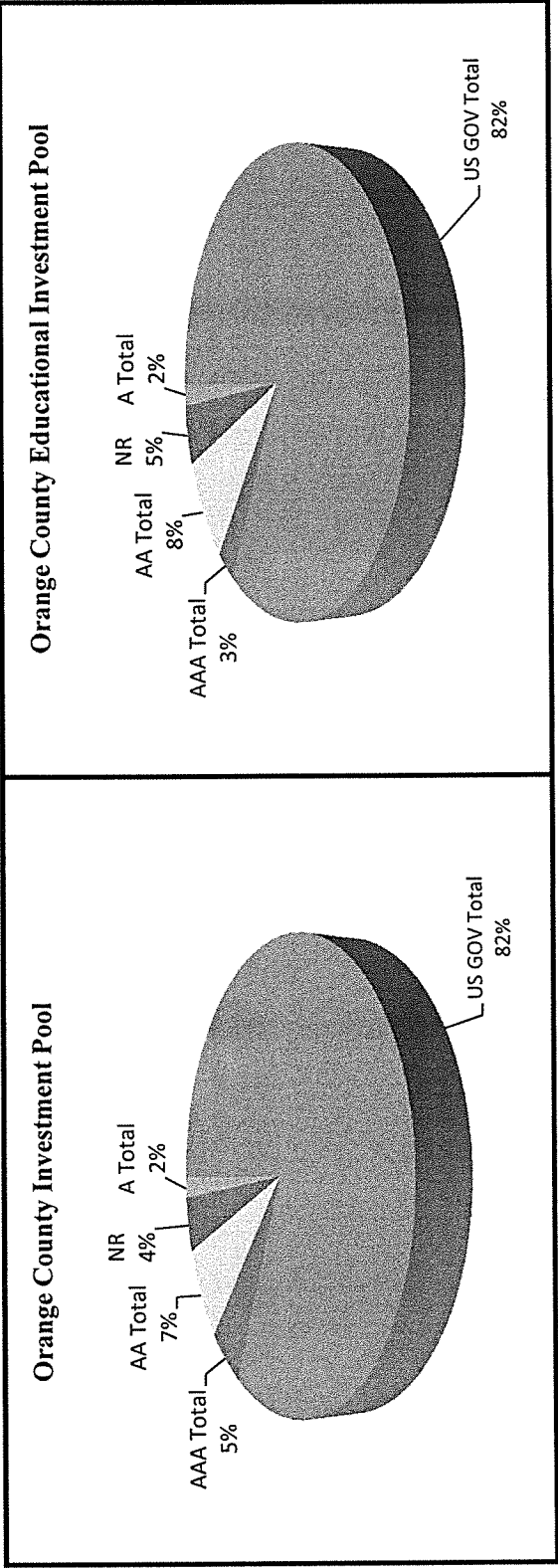
Orange County Investment Pool		
	In Thousands	%
U.S. GOVERNMENT AGENCIES	\$ 2,580,691	60.04%
U.S. TREASURIES	935,814	21.77%
MEDIUM - TERM NOTES	317,634	7.40%
MUNICIPAL DEBT	216,525	5.04%
MONEY MARKET MUTUAL FUNDS	134,686	3.13%
CERTIFICATES OF DEPOSIT	109,189	2.54%
LOCAL AGENCY INVESTMENT FUND	3,402	0.08%
	<u>\$ 4,297,941</u>	<u>100.00%</u>

Orange County Educational Investment Pool		
	In Thousands	%
U.S. GOVERNMENT AGENCIES	\$ 2,519,397	62.44%
U.S. TREASURIES	805,601	19.97%
MEDIUM - TERM NOTES	333,245	8.26%
MUNICIPAL DEBT	225,631	5.59%
CERTIFICATES OF DEPOSIT	116,696	2.89%
MONEY MARKET MUTUAL FUNDS	30,748	0.76%
LOCAL AGENCY INVESTMENT FUND	3,545	0.09%
	<u>\$ 4,034,863</u>	<u>100.00%</u>

John Wayne Airport Investment Fund		
	In Thousands	%
U.S. GOVERNMENT AGENCIES	\$ 34,982	69.50%
U.S. TREASURIES	9,999	19.87%
MONEY MARKET MUTUAL FUNDS	5,135	10.20%
MEDIUM - TERM NOTES	218	0.43%
	<u>\$ 50,334</u>	<u>100.00%</u>

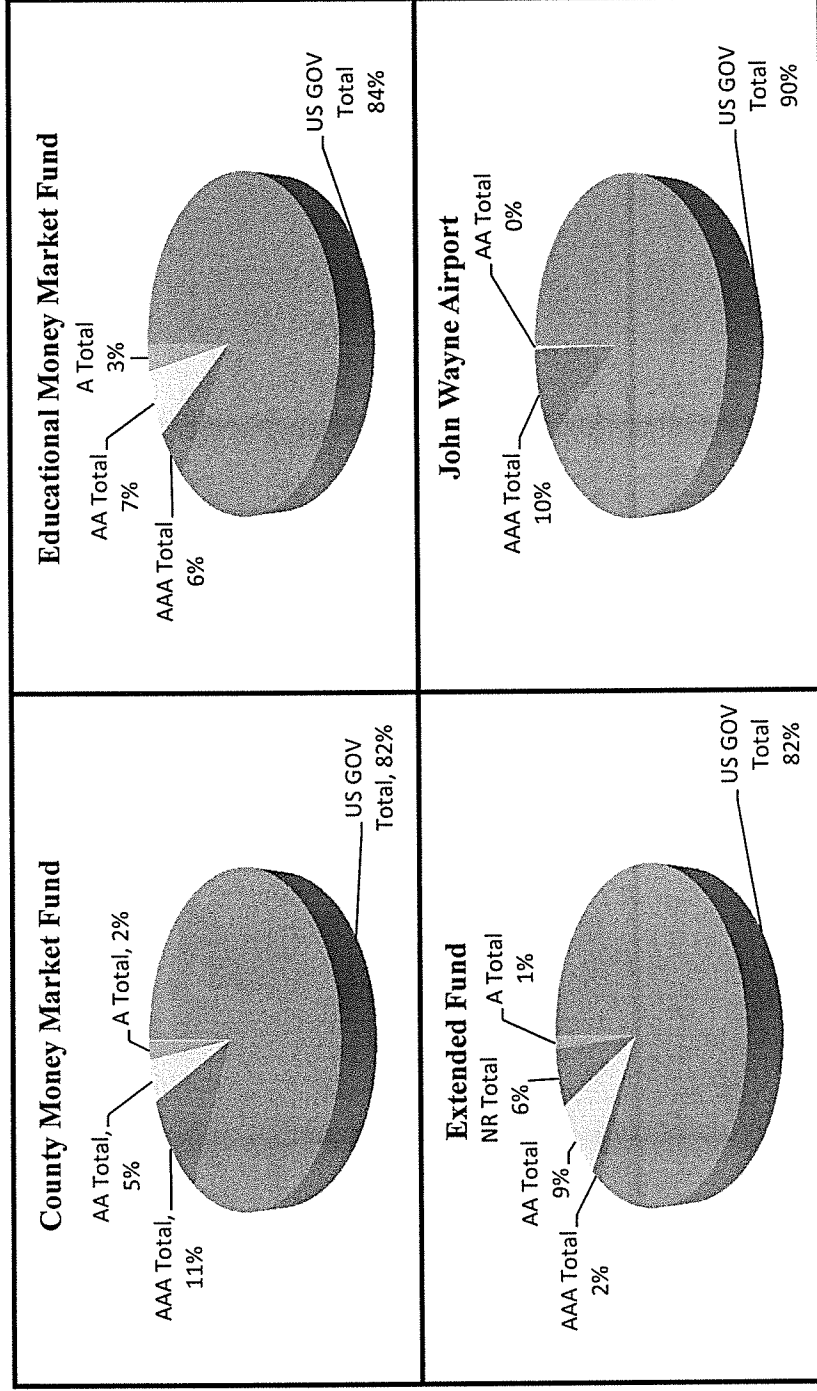
Calculated Using Market Value at 2/28/2017

ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE February 28, 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 2017 A

ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE February 28, 2017

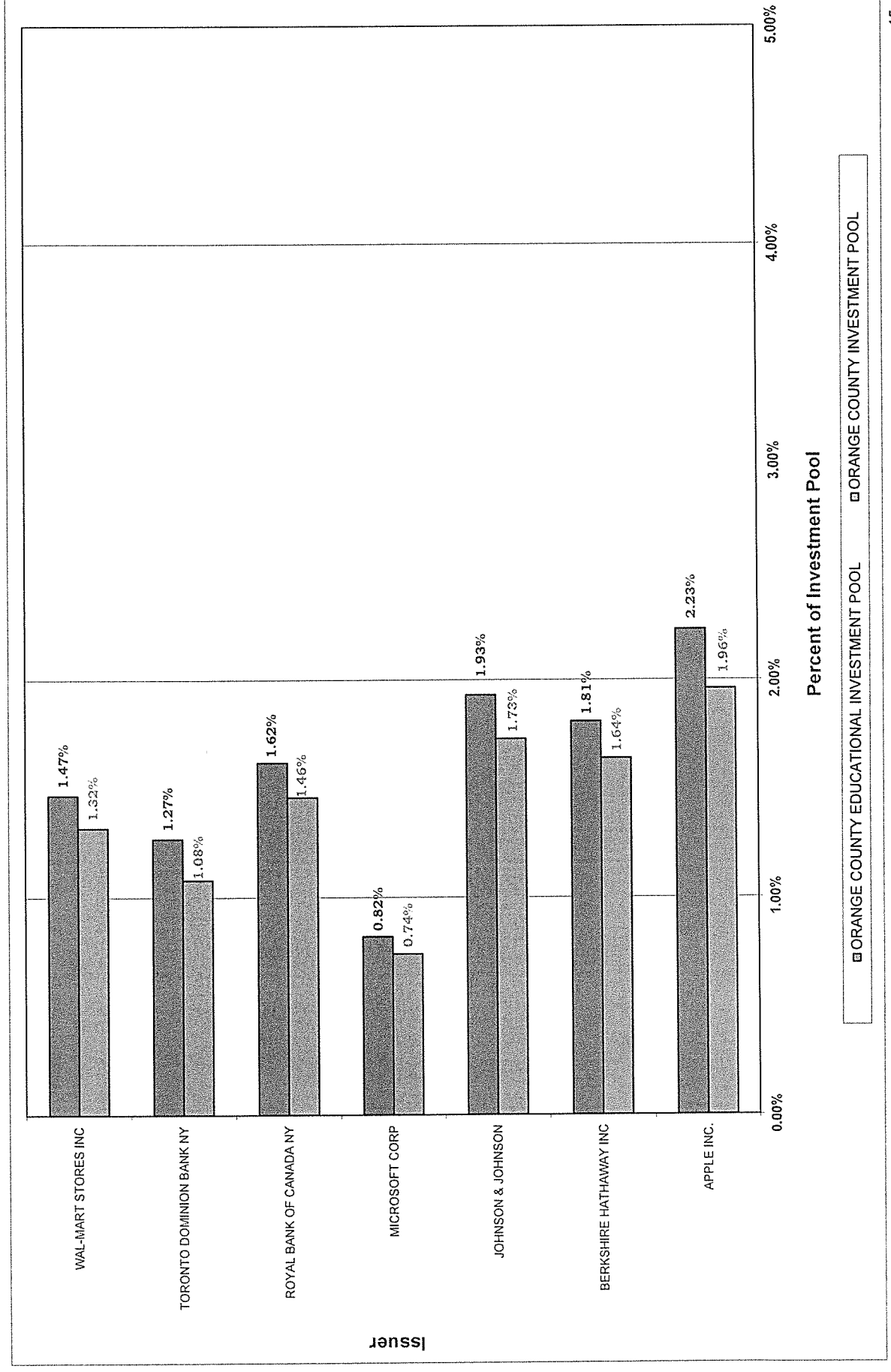


US GOV Includes Agency & Treasury Debt
 AA Includes AA+, AA- & AA
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 NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017 A

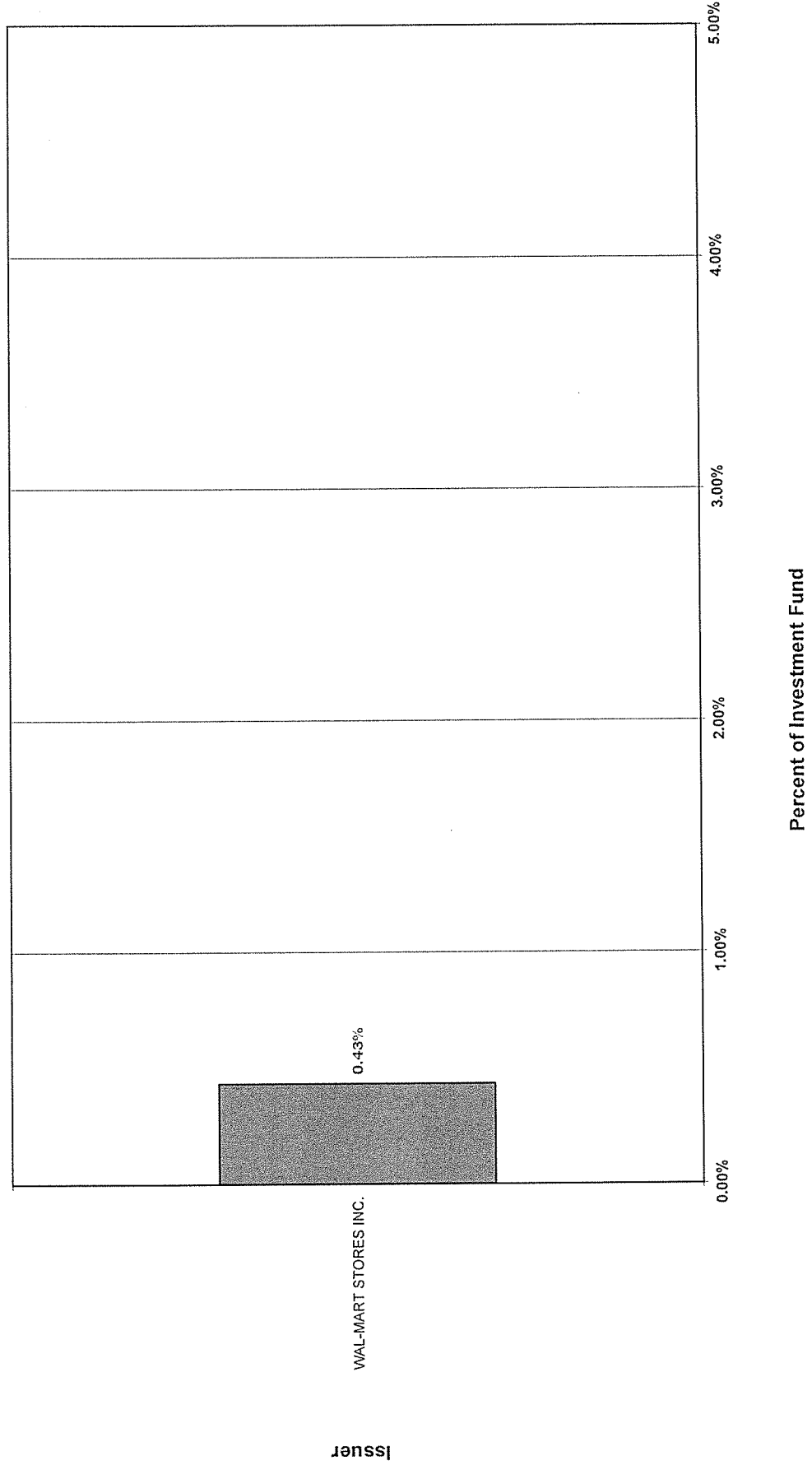
ORANGE COUNTY TREASURER - TAX COLLECTOR

ISSUER CONCENTRATION-By Investment Pool

February 28, 2017



ORANGE COUNTY TREASURER - TAX COLLECTOR
ISSUER CONCENTRATION - JOHN WAYNE AIRPORT INVESTMENT FUND
 February 28, 2017



ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA
February 28, 2017

ISSUER	S/T RATINGS			L/T RATINGS		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. TREASURY SECURITIES						
U.S. GOVERNMENT	A-1+	P-1	F1+	AA+	Aaa	AAA
U.S. GOVERNMENT AGENCY SECURITIES						
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
MEDIUM-TERM NOTES						
APPLE INC	A-1+	P-1	NR	AA+	Aa1	NR
BERKSHIRE HATHAWAY INC	A-1+	P-1	NR	AA	Aa2	A+
BERKSHIRE HATHAWAY FINANCE	NR	P-1	NR	NR	Aa2	A+
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa	AAA
WAL-MART STORES INC	A-1+	P-1	F1+	AA	Aa2	AA
ISSUERS ON HOLD						
MICROSOFT CORPORATION ***	A-1+	P-1	F1+	AAA	Aaa	AA+
ROYAL BANK OF CANADA NY ****	A-1+	P-1	F1+	AA-	Aa3	AA
STATE OR NATIONALLY CHARTERED BANKS *						
TORONTO DOMINION BANK NY *****	A-1+	P-1	F1+	AA-	Aa1	AA-
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2016 A	NR	NR	F1+	AA	NR	AA
ORANGE CNTY CA PENSION OBLG 2017 A	NR	NR	NR	NR	NR	NR
STATE POOL - LOCAL AGENCY INVESTMENT FUND						
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS **						
NAME OF FUND	S & P	Moody's		Fitch		
INVESCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAm	Aaa-mf		AAAmf		
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		

* Further purchase restrictions apply due to additional trading limits.

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

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

**** On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016; Moody's - June 11, 2014)

***** On Negative Outlook (Moody's - June 11, 2014)

**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended February 28, 2017**

During February, there was one change to the Treasurer's Approved Issuer List. Microsoft Corporation's L/T rating by Fitch was removed from Negative Watch. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

March 6, 2017

Orange County Treasurer's Office
County of Orange
625 N. Ross Street, Building 11, G58
Santa Ana, CA 92702
Attention: Shari Freidenrich, Treasurer-Tax Collector

Re: Orange County Money Market Fund

Dear Ms. Freidenrich:

S&P Global Ratings hereby affirms its Principal Stability Fund Rating of “**AAAm**” for the above-referenced fund.

This letter constitutes S&P Global Ratings’ permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we’ve released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Global Ratings may choose to acknowledge such a rating and denote such acknowledgement on www.standardandpoors.com with an alphabetic or other identifier affixed to such rating or by other means.

To maintain the rating, S&P Global Ratings must receive all information as indicated in the applicable Terms and Conditions. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: guyna.johnson@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: S&P Global Ratings, 55 Water Street, New York, New York 10041-0003, Attention: Funds Surveillance Group.

The rating is subject to the Terms and Conditions attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings, acting through
Standard & Poor's Financial Services LLC

Analytical Contact: Guyna Johnson
312-233-7008

/dg

March 6, 2017

Orange County Treasurer's Office
County of Orange
625 N. Ross Street, Building 11, G58
Santa Ana, CA 92702
Attention: Shari Freidenrich, Treasurer-Tax Collector

Re: Orange County Educational Money Market Fund

Dear Ms. Freidenrich:

S&P Global Ratings hereby affirms its Principal Stability Fund Rating of “AAAm” for the above-referenced fund.

This letter constitutes S&P Global Ratings’ permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we’ve released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Global Ratings may choose to acknowledge such a rating and denote such acknowledgement on www.standardandpoors.com with an alphabetic or other identifier affixed to such rating or by other means.

To maintain the rating, S&P Global Ratings must receive all information as indicated in the applicable Terms and Conditions. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: guyna.johnson@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: S&P Global Ratings, 55 Water Street, New York, New York 10041-0003, Attention: Funds Surveillance Group.

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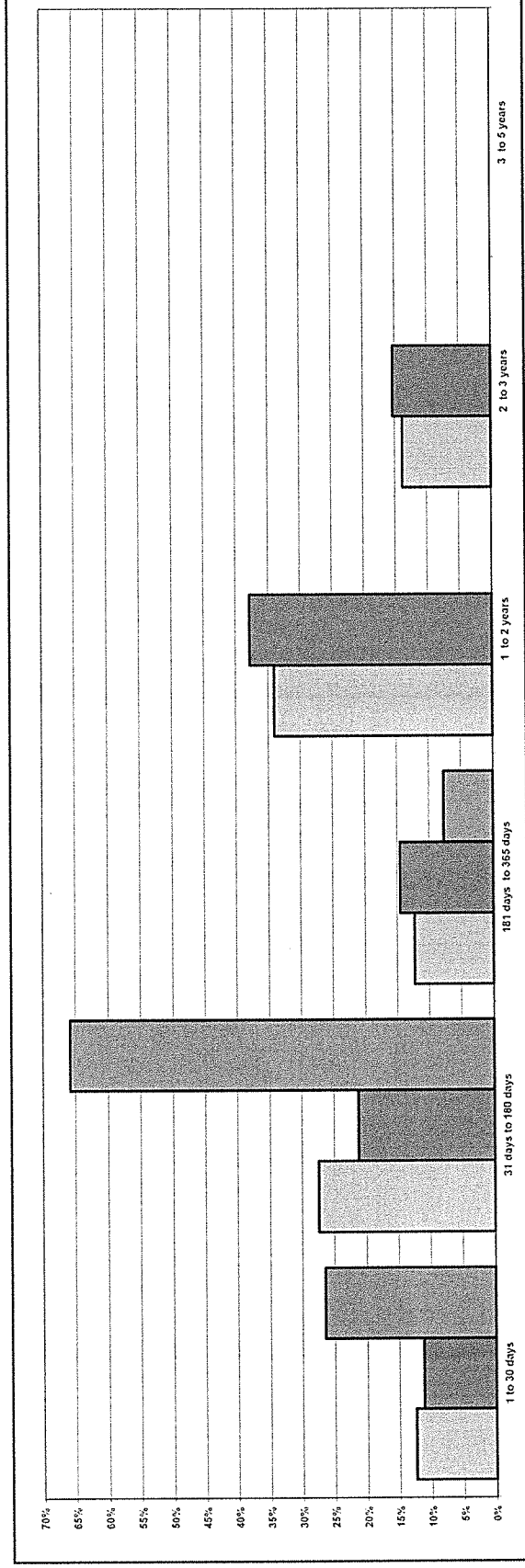
Sincerely yours,

S&P Global Ratings, acting through
Standard & Poor's Financial Services LLC

Analytical Contact: Guyna Johnson
312-233-7008

/dg

ORANGE COUNTY TREASURER - TAX COLLECTOR MATURITIES DISTRIBUTION February 28, 2017



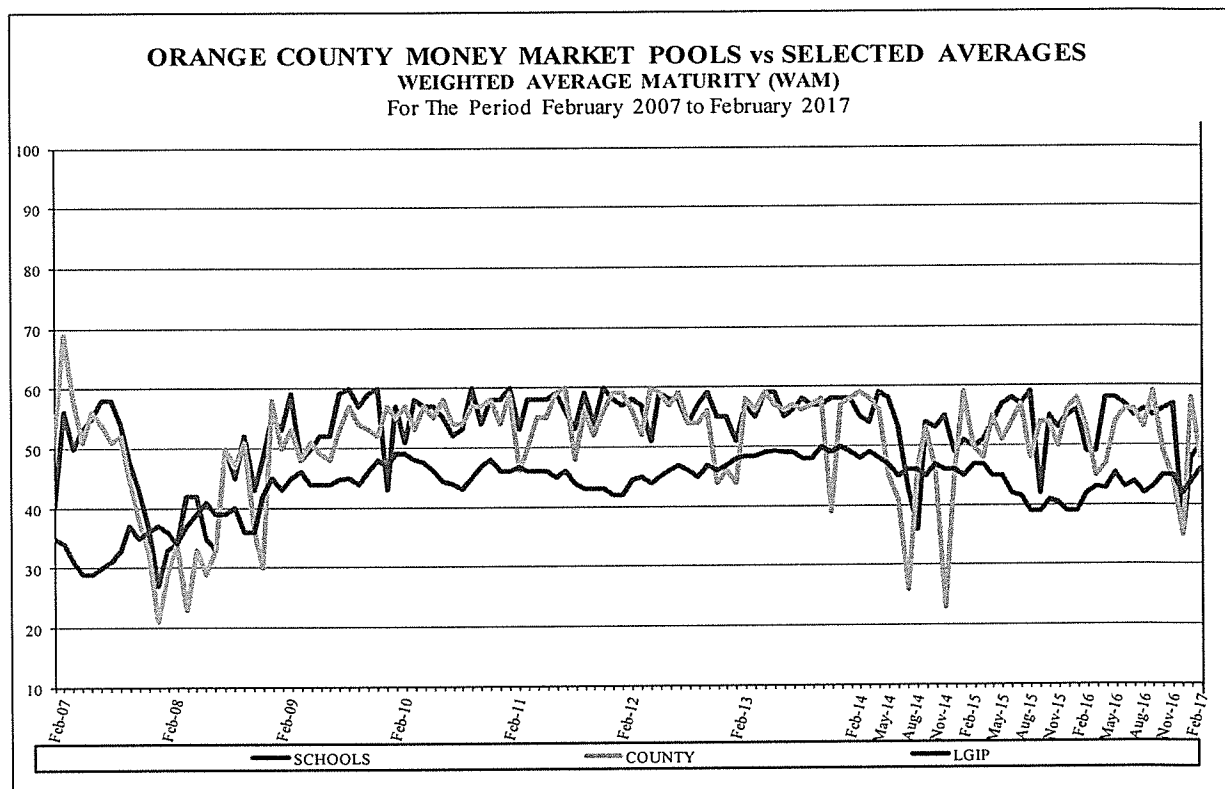
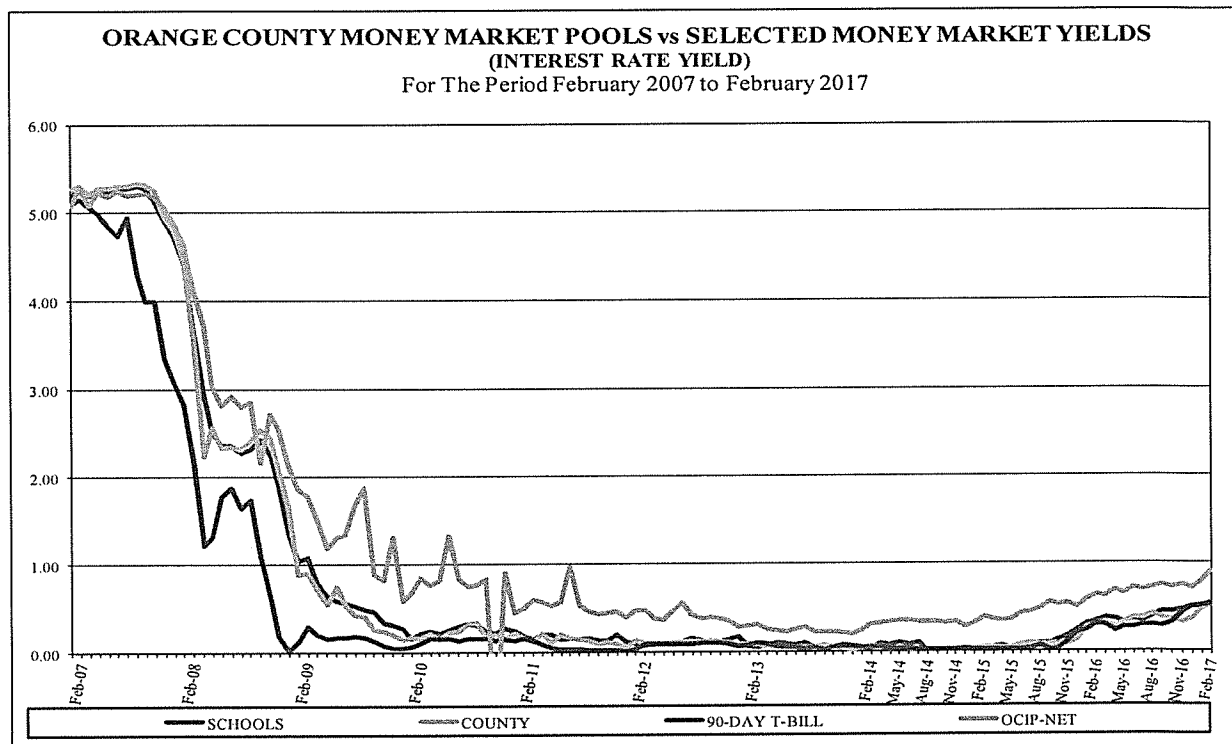
ORANGE COUNTY INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 535,206		12.45%
31 TO 180 DAYS	1,179,794		27.44%
181 TO 365 DAYS	528,055		12.27%
1 YEAR TO 2 YEARS	1,463,733		34.04%
2 YEARS TO 3 YEARS	593,438		13.80%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,300,226		100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 450,498		11.16%
31 TO 180 DAYS	854,813		21.17%
181 TO 365 DAYS	585,724		14.51%
1 YEAR TO 2 YEARS	1,527,296		37.84%
2 YEARS TO 3 YEARS	618,398		15.32%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,036,729		100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 13,321		26.47%
31 TO 180 DAYS	33,130		65.83%
181 TO 365 DAYS	3,875		7.70%
1 YEAR TO 2 YEARS	-		0.00%
TOTAL	\$ 50,326		100.00%

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

² Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 2/28/2017, Floating Rate Notes comprise 0.51%, 1.15%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•As of February 28, 2017, S&P LGIP – 0.66; S&P LGIP WAM -46; 90-Day T-Bill – 0.52; OCIP – Net – 0.74

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL YIELDS
March 1, 2016 - February 28, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - February 2017</i>				
County Pool - Money Market Fund	\$ 1,420,356,645	\$ 588,259	0.58%	48
Educational Pool - Money Market Fund	\$ 1,036,250,434	\$ 539,611	0.60%	50
Extended Fund	\$ 5,876,196,444	\$ 5,010,710	1.11%	511
<i>January 2017</i>				
County Pool - Money Market Fund	\$ 1,243,000,623	\$ 626,367	0.53%	58
Educational Pool - Money Market Fund	\$ 1,309,895,173	\$ 772,307	0.57%	48
Extended Fund	\$ 5,872,382,548	\$ 4,846,757	0.99%	496
<i>December 2016</i>				
County Pool - Money Market Fund	\$ 1,787,873,393	\$ 656,440	0.43%	35
Educational Pool - Money Market Fund	\$ 1,995,546,428	\$ 627,945	0.56%	35
Extended Fund	\$ 5,491,524,471	\$ 4,550,093	0.96%	510
<i>November 2016</i>				
County Pool - Money Market Fund	\$ 1,263,748,930	\$ 397,303	0.38%	44
Educational Pool - Money Market Fund	\$ 1,123,417,366	\$ 433,001	0.53%	57
Extended Fund	\$ 5,538,702,888	\$ 4,384,832	0.96%	515
<i>October 2016</i>				
County Pool - Money Market Fund	\$ 1,262,431,238	\$ 351,585	0.41%	49
Educational Pool - Money Market Fund	\$ 978,305,500	\$ 469,767	0.51%	56
Extended Fund	\$ 5,497,309,348	\$ 4,298,117	0.92%	504
<i>September 2016</i>				
County Pool - Money Market Fund	\$ 751,801,815	\$ 278,284	0.46%	59
Educational Pool - Money Market Fund	\$ 1,220,526,096	\$ 498,234	0.46%	55
Extended Fund	\$ 5,494,463,600	\$ 4,191,758	0.93%	501
<i>August 2016</i>				
County Pool - Money Market Fund	\$ 800,306,654	\$ 295,786	0.49%	53
Educational Pool - Money Market Fund	\$ 1,221,174,892	\$ 516,653	0.46%	56
Extended Fund	\$ 5,459,349,411	\$ 4,074,594	0.90%	484
<i>July 2016</i>				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
<i>June 2016</i>				
County Pool - Money Market Fund	\$ 928,467,500	\$ 418,507	0.44%	56
Educational Pool - Money Market Fund	\$ 1,611,309,522	\$ 519,651	0.43%	57
Extended Fund	\$ 5,387,530,673	\$ 4,192,339	0.95%	512
<i>May 2016</i>				
County Pool - Money Market Fund	\$ 1,345,822,973	\$ 487,226	0.39%	54
Educational Pool - Money Market Fund	\$ 1,550,458,922	\$ 554,610	0.39%	58
Extended Fund	\$ 5,364,702,464	\$ 4,084,932	0.90%	532
<i>April 2016</i>				
County Pool - Money Market Fund	\$ 1,650,959,211	\$ 611,665	0.34%	47
Educational Pool - Money Market Fund	\$ 1,789,408,388	\$ 534,423	0.43%	58
Extended Fund	\$ 5,336,146,252	\$ 4,277,809	1.00%	526
<i>March 2016</i>				
County Pool - Money Market Fund	\$ 1,530,995,992	\$ 435,530	0.38%	45
Educational Pool - Money Market Fund	\$ 1,327,818,642	\$ 514,646	0.44%	49
Extended Fund	\$ 5,066,946,597	\$ 3,687,551	0.86%	507
<i>Fiscal Year July 1, 2016 - June 30, 2017</i>	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 3,999,936,310	\$ 21,649,804	0.81%	375
Orange County Educational Investment Pool	\$ 4,011,605,402	\$ 21,655,963	0.80%	359

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING AUGUST 31, 2017

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

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

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

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

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

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
February 2017 - Ending Cash				\$ 10,372,702
March	\$ 463,243,648	\$ 903,329,289	\$ 626,753,136	750,192,504
April	682,563,507	2,040,131,589	1,786,910,013	1,685,977,586
May	253,424,887	287,524,611	671,773,527	1,555,153,557
June	99,952,968	279,622,691	796,361,570	1,138,367,647
July	66,882,215	260,440,708	582,056,875	883,633,695
August	91,434,271	436,879,658	363,542,939	1,048,404,685

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
February 2017 - Ending Cash				\$ 4,777,573
March	\$ 716,314,916	\$ 568,210,632	\$ 705,195,720	584,107,400
April	189,923,874	1,136,356,689	689,471,299	1,220,916,665
May	203,767,160	398,881,570	709,242,480	1,114,322,915
June	94,476,626	520,190,865	730,371,284	998,619,123
July	53,850,222	286,371,297	467,457,907	871,382,736
August	104,741,743	263,417,878	509,317,746	730,224,610

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended February 28, 2017

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$8,636,288,721</u>
Cash Receipts:	
County	521,695,702
School and Community College Districts	375,390,036
Total Cash Receipts	<u>897,085,738</u>
Cash Disbursements:	
County	340,015,821
School and Community College Districts	644,834,729
Total Cash Disbursements	<u>984,850,550</u>
Net Change in Book Value of Pooled Assets	<u>(87,764,812)</u>
Net Increase in Non Pooled Investments	32,198
Net Decrease in Non Pooled Cash	<u>7,325,736</u>
Treasurer's Accountability at the End of the Period:	<u>\$8,555,881,843</u>
Assets in the Treasury at the End of the Period (at Book Value):	
Pooled Investments:	
O.C. Investment Pool	\$ 4,312,396,747
O.C. Educational Investment Pool	4,050,156,920
Total Orange County Investment Pools	<u>8,362,553,667</u>
Non Pooled Investments:	
Non Pooled Investments - John Wayne Airport	50,351,288
Non Pooled Investments - General Fund – Non AMT Restricted	67,445,262
Non Pooled Investments - Fountain Valley School District Fund 40	34,864,857
Non Pooled Investments - Other	1,081,500
Total Non Pooled Investments	<u>153,742,907</u>
Cash:	
Cash in banks - County	10,333,272
Cash in banks - Schools	4,777,573
Cash in banks - OC Sheriff	13,956,954
Cash in banks - John Wayne Airport	10,478,039
Cash - Other	39,431
Total Cash	<u>39,585,269</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 8,555,881,843</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
February 28, 2017**

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
30%	Negotiable Certificates of Deposit	\$ 11,606,521	0.82%	\$ 199,270,151	3.39%	\$ 15,008,400	1.45%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	789,549,292	55.59%	3,657,616,703	62.24%	652,922,356	63.01%	34,982,357	69.50%
\$50MM	LAIF	-	0.00%	6,946,261	0.12%	-	0.00%	-	0.00%
30%	Medium-Term Notes	109,711,828	7.72%	424,590,097	7.23%	116,577,213	11.25%	218,092	0.43%
20%	Money Market Mutual Funds	134,686,408	9.48%	442,155,920	0.00%	30,748,358	2.97%	5,134,793	10.20%
30%	Municipal Debt	-	0.00%	-	7.52%	-	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	374,802,586	26.39%	1,145,617,312	19.50%	220,994,107	21.32%	9,998,740	19.87%
		\$ 1,420,356,645	100.00%	\$ 5,876,196,444	100.00%	\$ 1,036,250,434	100.00%	\$ 50,333,982	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
5%	Percentage Limits	Yes	Yes ⁽²⁾	Yes	Yes	Yes	Yes ⁽²⁾	Yes	Yes
20%	Issuer Limit	Yes	Yes ⁽²⁾	N/A	N/A	Yes	Yes	Yes	Yes
50% ⁽⁴⁾	Money Market Mutual Fund Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
See Above	Government Agencies Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Diversification Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits	Yes/47.91	Yes/47.91	N/A	N/A	Yes/50.37	Yes/50.37	N/A	N/A
90 Days	Weighted Average Maturity - Money Market Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/79.37	Yes/79.37
>Merrill 1-3 Year Index+25% (2.38)	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13 Months/397 days	Duration ⁽³⁾	N/A	N/A	Yes/1.39	Yes/1.39	N/A	N/A	N/A	N/A
15 Months/456 days	Final Maturity - Money Market Fund	Yes/352	Yes/352	N/A	N/A	Yes/378	Yes/378	N/A	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/245	Yes/245
	Final Maturity - Extended Fund	N/A	N/A	Yes/1095	Yes/1095	N/A	N/A	N/A	N/A
A-1/2 A	Quality Limits	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
≥ A-1/P-1/F2	MMF Short Term/Long Term	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
A-1/2 AA ⁽⁵⁾	Short Term Debt/No Split Ratings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Approved Issuer List	Extended Fund Short Term/Long Term	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Net Asset Value - Money Market Fund and JWA	Yes/1.0002	Yes/1.0002	N/A	N/A	Yes/1.0001	Yes/1.0001	Yes/1.0000	Yes/1.0000

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

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

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

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

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.39) 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.

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
February 28, 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)	Quarter ended September 30, 2016 completed, December 31, 2016 in progress.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2016 in progress.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	Quarter ended December 31, 2016 in progress.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15 and FY 15/16 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2016 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2016 IPS certifications received.
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions	FY 16/17 Identified zero compliance incidents as of February 28, 2017.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 19, 2016 meeting. The BOS approved on November 22, 2016.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 19, 2016 meeting and did not make any additional changes. The BOS approved on November 22, 2016.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2016 Annual Report was presented to BOS on February 28, 2017.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on October 19, 2016.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for Calendar Year 2017.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for Calendar Year 2016 (one submitted in January 2017).
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	The TOC members are in compliance for Calendar Year 2016.

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 February 28, 2017**

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

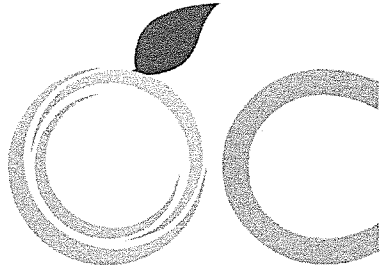


Orange County Auditor-Controller Internal Audit



Report on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016

Audit Number 1612
Report Date: February 24, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Carol Swe, CPA, CIA	Senior Audit Manager
Michael Steinhaus, CPA, CGMA	Audit Manager I
Scott Kim, CPA	Audit Manager I

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1612

February 24, 2017

TO: Members, Board of Supervisors
Chairwoman Michelle Steel, 2nd District Supervisor
Vice Chair Andrew Do, 1st District Supervisor
Supervisor Todd Spitzer, 3rd District
Supervisor Shawn Nelson, 4th District
Supervisor Lisa A. Bartlett, 5th District

SUBJECT: Report on Review of the Schedule of Assets Held by the County
Treasury as of September 30, 2016

We have completed our Report on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016. Our final report is attached for your review.

I submit an Audit Status Report quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Although there were no findings noted during this review, the results will be included in future status reports to the AOC and BOS.

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

Attachments

Other recipients of this report:

Members, Audit Oversight Committee
Members, Treasury Oversight Committee
Eric H. Woolery, Auditor-Controller
Shari L. Freidenrich, Treasurer-Tax Collector
Frank Kim, County Executive Officer
Michelle Aguirre, Chief Financial Officer
JC Squires, Financial Manager, Treasurer-Tax Collector - Treasury
Jennifer Han, Accounting/Compliance Manager, Treasurer-Tax Collector - Treasury
Claire Moynihan, Director, Central Accounting Operations, Auditor-Controller
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



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Held by the County Treasury
Audit No. 1612*

As of September 30, 2016

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Independent Accountant's Review Report

Independent Accountant's Review Report

The Honorable Board of Supervisors
County of Orange, California

We have reviewed the accompanying Schedule of Assets Held by the County Treasury—Modified Cash-Basis (financial schedule) of the County of Orange, California, as of September 30, 2016, pursuant to Government Code Section 26920(a). A review includes primarily applying analytical procedures to management's financial data and making inquiries of department management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial schedule as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of this financial schedule in accordance with the modified cash-basis of accounting; this includes determining that the basis of accounting the County Treasury uses for financial reporting is an acceptable basis for the preparation of financial schedules in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial schedule for it to be in accordance with the basis of accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure from Modified Cash-Basis of Accounting paragraph, we are not aware of any material modifications that should be made to the accompanying financial schedule in order for it to be in accordance with the modified cash-basis of accounting.

Known Departure from Modified Cash-Basis of Accounting

The financial schedule is prepared in accordance the modified cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received by the Treasurer; disbursements are recognized when paid by the bank; and the value of investments is stated at fair value. The modified cash-basis of accounting requires that financial statements include adequate disclosures. Management has elected to omit all disclosures ordinarily included in a financial schedule prepared on the modified cash-basis of accounting. If the omitted disclosures were included in the financial statement, they might influence the users' conclusions about the County Treasury's assets.



Independent Accountant's Review Report

Other Matter

This report is intended solely for the information and use of the Board of Supervisors and the management of the Orange County Auditor-Controller. However, this report is a matter of public record and its distribution is not limited.

While performing this review, we noted one internal control matter that we will report to Treasury management in a separate Management Letter.

A handwritten signature in black ink, appearing to read "Toni Smart", is written over a horizontal line.

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

February 24, 2017



Schedule of Assets Held by the County Treasury

ORANGE COUNTY TREASURY
Schedule of Assets Held by the County Treasury
As of September 30, 2016

	ASSETS			
	OCIP	OCEIP	Non-Pooled	Total
CASH				
Cash on Hand	\$ 58,905	\$ -	\$ -	\$ 58,905
Demand Accounts	17,091,847	2,247,699	8,750,145	28,089,691
Total Cash	\$ 17,150,752	\$ 2,247,699	\$ 8,750,145	\$ 28,148,596
INVESTMENTS, stated at fair value				
<i>Orange County Investment Pool (OCIP):</i>				
Money Market Fund	751,801,815	-	-	751,801,815
Extended Fund	2,863,003,531	-	-	2,863,003,531
<i>Orange County Educational Investment Pool (OCEIP):</i>				
Money Market Fund	-	1,220,526,096	-	1,220,526,096
Extended Fund	-	2,631,460,069	-	2,631,460,069
<i>Non-Pooled</i>	-	-	153,796,475	153,796,475
Total Investments	\$3,614,805,346	\$3,851,986,165	\$153,796,475	\$7,620,587,986
TOTAL ASSETS	\$3,631,956,098	\$3,854,233,864	\$162,546,620	\$7,648,736,582

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)



April 26, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Orange County Treasurer's Management Report - March 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 March 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 March 31, 2017, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,742,433,515 with a monthly gross yield of 0.60 percent and a month-end average days to maturity of 37 days. The OCIP Extended Fund book value was \$5,888,900,079 with a monthly yield of 1.06 percent and a month-end average days to maturity of 511 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$36,444; the combined pool had a monthly yield of 0.91 percent and month-end average days to maturity of 333 days.

During March, there were two changes to the Treasurer's Approved Issuer List. The Credit Investment Committee placed Toronto Dominion Bank NY on hold and removed Microsoft Corporation from being on hold. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 27 through 86 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 March 31, 2017.

Attachment

- A. Treasurer's Monthly Investment Report – March 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** MARCH 2017 **REPORT**

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



COUNTY OF ORANGE

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

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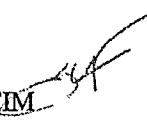
OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



INTERDEPARTMENTAL COMMUNICATION

Date: April 17, 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 

Subject: Treasurer's Investment Report for the Month Ended March 31, 2017

Attached, please find the Treasurer's Investment Report for the County of Orange for the month ended March 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.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of March 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 37 and 52 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 67. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.36). The duration is currently at 1.39. 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 March, the job market added 98,000 new jobs, and February's job numbers were revised downwards by 16,000 to 219,000. The U.S. unemployment rate for March fell to 4.5%, down from 4.7% in February. The Empire State

Manufacturing Index fell to 16.4 from 18.7 in February, while the Philadelphia Fed Index decreased to 32.8 from 43.3 in February. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, the S&P/CaseShiller U.S. Index reported that housing prices continue to show positive momentum as year-over-year prices increased for the fifty-seventh consecutive month in January, up 5.73% from a year ago. The index for pending home sales decreased -2.4% on a year-over-year basis in March. The 10-year Treasury rate rose from 2.36% in February to 2.40% in March.

The short-term 90-day T-bill ended the month at 0.76%, up from 0.53% in February. The rate on the 2-year Treasury note was 1.27% at the end of March, up from 1.22% in February.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.82% for the Orange County Investment Pool and 0.82% for the Orange County Educational Investment Pool. The current net yield for fiscal year 2016/2017 is 0.76% and 0.76% respectively. The forecasted net yield for fiscal year 2016/2017 for both OCIP and OCEIP is expected to be 0.77%.

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 months following. The March 2017 interest apportionment is expected to be paid by April 30, 2017. The investment administrative fee for fiscal year 2016/2017 is estimated at 6.5 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. There are no temporary transfers outstanding as of March 31, 2017.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. The Investment Pools have a total market value of \$442.5 million in County of Orange debt, which represents approximately 5.0% 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 March 2017. The Auditor-Controller issued their report on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended December 31, 2016, which stated that no compliance deficiencies were identified. As part of the County's Financial Statement Audit for the Year Ended June 30, 2016, MGO just released their Management Letter dated December 15, 2016. They identified one deficiency in internal control related to the Treasurer-Tax Collector. The deficiency noted that management's written approvals for month-end summary bank reconciliations from December 2015 to May 2016 were delayed due to a duplicate bank file import. During this period, bank activity was reconciled daily and reviewed by management monthly, and procedures now require management approval for manual bank imports.

CREDIT UPDATE

During March, there were two changes to the Treasurer's Approved Issuer List. The Credit Investment Committee placed Toronto Dominion Bank NY on hold and removed Microsoft Corporation from being on hold. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of March 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

	MARCH 2017	FEBRUARY 2017	INCREASE (DECREASE)	NET CHANGE %	MARCH 2016	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ^{1,2}	\$ 4,618,257,699	\$ 4,297,940,588	\$ 320,317,111	7.45%	\$ 4,064,403,689	\$ 553,854,010	13.63%
End Of Month Book Value ²	\$ 4,625,013,477	\$ 4,304,594,985	\$ 320,418,492	7.44%	\$ 4,057,820,731	\$ 567,192,746	13.98%
Monthly Average Balance ²	\$ 4,268,775,988	\$ 4,217,383,777	\$ 51,392,211	1.22%	\$ 3,874,263,799	\$ 394,512,189	10.18%
Year-To-Date Average Balance	\$ 4,017,941,038	\$ 3,986,586,669	\$ 31,354,369	0.79%	\$ 3,657,472,820	\$ 360,468,218	9.86%
Monthly Accrued Earnings ³	\$ 3,303,437	\$ 3,040,342	\$ 263,095	8.65%	\$ 2,277,935	\$ 1,025,502	45.02%
Monthly Net Yield ³	0.85%	0.87%	-0.03%	-3.32%	0.62%	0.22%	35.38%
Year-To-Date Net Yield ³	0.76%	0.74%	0.01%	1.75%	0.54%	0.22%	40.26%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.64%	0.20%	30.43%
Weighted Average Maturity (WAM)	333	358	(25)	-6.98%	333	(0)	-0.05%
Orange County Educational Investment Pool (OCEIP)							
End Of Month Market Value ^{1,2}	\$ 4,277,435,171	\$ 4,034,862,936	\$ 242,572,235	6.01%	\$ 3,861,357,542	\$ 416,077,629	10.78%
End Of Month Book Value ²	\$ 4,284,742,978	\$ 4,050,156,920	\$ 234,586,058	5.79%	\$ 3,854,691,037	\$ 430,051,941	11.16%
Monthly Average Balance	\$ 4,072,422,938	\$ 4,185,099,022	\$ (112,676,084)	-2.69%	\$ 3,925,416,698	\$ 147,006,240	3.74%
Year-To-Date Average Balance	\$ 4,000,160,993	\$ 3,991,128,250	\$ 9,032,743	0.23%	\$ 3,719,733,252	\$ 280,427,741	7.54%
Monthly Accrued Earnings ³	\$ 3,296,030	\$ 3,098,239	\$ 197,791	6.38%	\$ 2,359,791	\$ 936,239	39.67%
Monthly Net Yield ³	0.89%	0.90%	-0.01%	-1.33%	0.64%	0.25%	38.65%
Year-To-Date Net Yield ³	0.76%	0.74%	0.02%	2.71%	0.55%	0.21%	38.25%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.65%	0.19%	28.64%
Weighted Average Maturity (WAM)	375	393	(18)	-4.58%	350	25	7.27%

¹ Market values provided by Bloomberg and Northern Trust. Market values are slightly lower than book values due to the recent Federal Reserve short-term rate increase, but both pools have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² In March 2017, OCIP end of month market and book values, and monthly average balance were higher than March 2016 primarily due to higher secured property tax receipts. OCEIP end of month market and book values were higher than March 2016 primarily due to deposits of bond proceeds from new school bonds.

³ In March 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than March 2016 due to an increase in the Federal Reserve short-term rate of 25 basis points and investments in higher yielding securities.

⁴ The OCIP and OCEIP Annual Estimated Gross Yield for March 2016 is reported at the actual annual gross yield for FY15/16, and their Annual Estimated Gross Yield for March 2017 is reported at the latest forecasted gross yields of 0.84%. The Annual Estimated Gross Yield for FY 16/17 is higher than FY 15/16 due to an increase of the Federal Reserve short-term rate of 25 basis points, reductions in excess liquidity, and improved cash management while maintaining the same high credit quality of securities.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH AND QUARTER ENDED: MARCH 31, 2017

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 3/31/17	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV
COMBINED POOL BALANCES (includes the Extended Fund)						
Orange County Investment Pool (OCIP)	MARKET Value \$	4,618,257,699	333	0.94%	0.91%	0.90%
	COST (Capital) \$	4,632,472,982				1.00
	MONTHLY AVG Balance \$	4,268,775,988				
	QUARTERLY AVG Balance \$	4,250,450,642				
	BOOK Value \$	4,625,013,477				
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$	4,277,435,171	375	0.99%	0.95%	0.92%
	COST (Capital) \$	4,292,699,654				1.00
	MONTHLY AVG Balance \$	4,072,422,938				
	QUARTERLY AVG Balance \$	4,244,671,151				
	BOOK Value \$	4,284,742,978				

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	BOOK BALANCE BY INVESTMENT TYPE	
Specific Investment Funds:			
100, 283, 505, 650 FVSD	MARKET Value \$	153,654,076	County General-Tax Exempt Non AMT \$ 67,458,736
	COST (Capital) \$	153,773,393	John Wayne Airport Investment Fund 50,368,300
	MONTHLY AVG Balance \$	153,758,190	Repurchase Agreement 1,081,500
	QUARTERLY AVG Balance \$	153,747,654	Fountain Valley School District Fund 40 34,864,857
	BOOK Value \$	153,728,257	
			\$ 153,773,393

MONTH END TOTALS

INVESTMENTS & CASH		FUND ACCOUNTING & SPECIFIC INVESTMENTS	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 1,742,970,308	OCIP	\$ 4,645,133,468
County Cash	12,660,486	OCEIP	4,295,263,475
EXTENDED FUND	5,903,042,674	Specific Investment Funds	153,773,393
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non Pooled Cash	21,499,049
Educational Money Market Fund	1,279,159,654		
Educational Cash	2,563,821		
NON POOLED INVESTMENTS			
Non Pooled Investments @ Cost	153,773,393		
Non Pooled Cash	21,499,049		
	\$ 9,115,669,385		\$ 9,115,669,385

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.60%	OCMMF	37
OCEMMF - MONTHLY GROSS YIELD	0.66%	OCEMMF	52
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	0.61%	JOHN WAYNE AIRPORT WAM	67
OCIP - YTD NET YIELD***	0.76%	LGIP WAM (Standard & Poors)	46
OCEIP - YTD NET YIELD***	0.76%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	0.74%		

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH AND QUARTER ENDED: MARCH 31, 2017

INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 3/31/17	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,742,756,895 COST (Capital) \$ 1,742,970,308 MONTHLY AVG Balance \$ 1,376,354,601 QUARTERLY AVG Balance \$ 1,362,153,983 BOOK Value \$ 1,742,433,515	37	0.64%	0.60%	0.57%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,278,498,097 COST (Capital) \$ 1,279,159,654 MONTHLY AVG Balance \$ 1,058,882,938 QUARTERLY AVG Balance \$ 1,279,587,925 BOOK Value \$ 1,278,422,861	52	0.71%	0.66%	0.61%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,874,437,878 COST (Capital) \$ 5,903,042,674 MONTHLY AVG Balance \$ 5,905,961,387 QUARTERLY AVG Balance \$ 5,853,379,884 BOOK Value \$ 5,888,900,079	511	1.08%	1.06%	1.05%	1.00
ALLOCATION OF EXTENDED FUND						
<u>Extended Fund</u> OCIP Share	MARKET Value \$ 2,875,500,804 COST (Capital) \$ 2,889,502,674 MONTHLY AVG Balance \$ 2,892,421,387 QUARTERLY AVG Balance \$ 2,888,296,658 BOOK Value \$ 2,882,579,962	511	1.08%	1.06%	1.05%	1.00
OCEIP Share	MARKET Value \$ 2,998,937,074 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 QUARTERLY AVG Balance \$ 2,965,083,226 BOOK Value \$ 3,006,320,117	511	1.08%	1.06%	1.05%	1.00
<u>Modified Duration</u>	1.39					

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

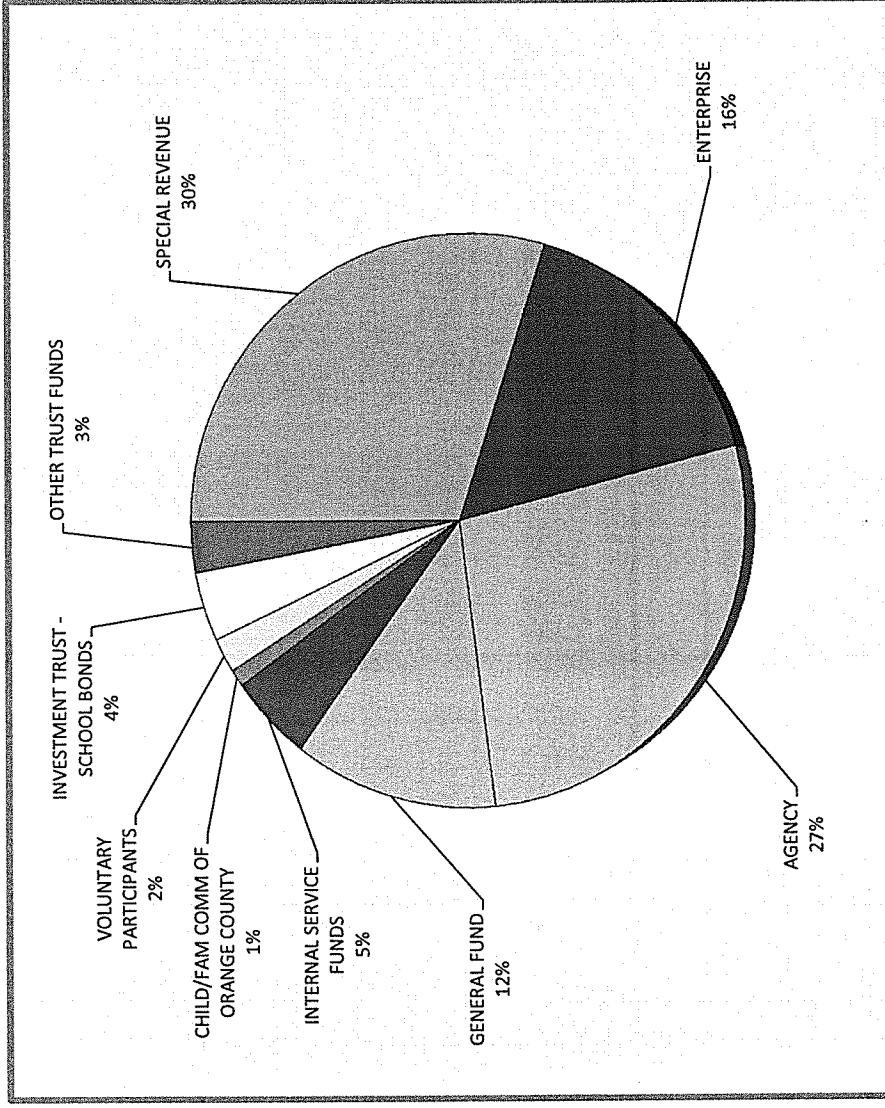
** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

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

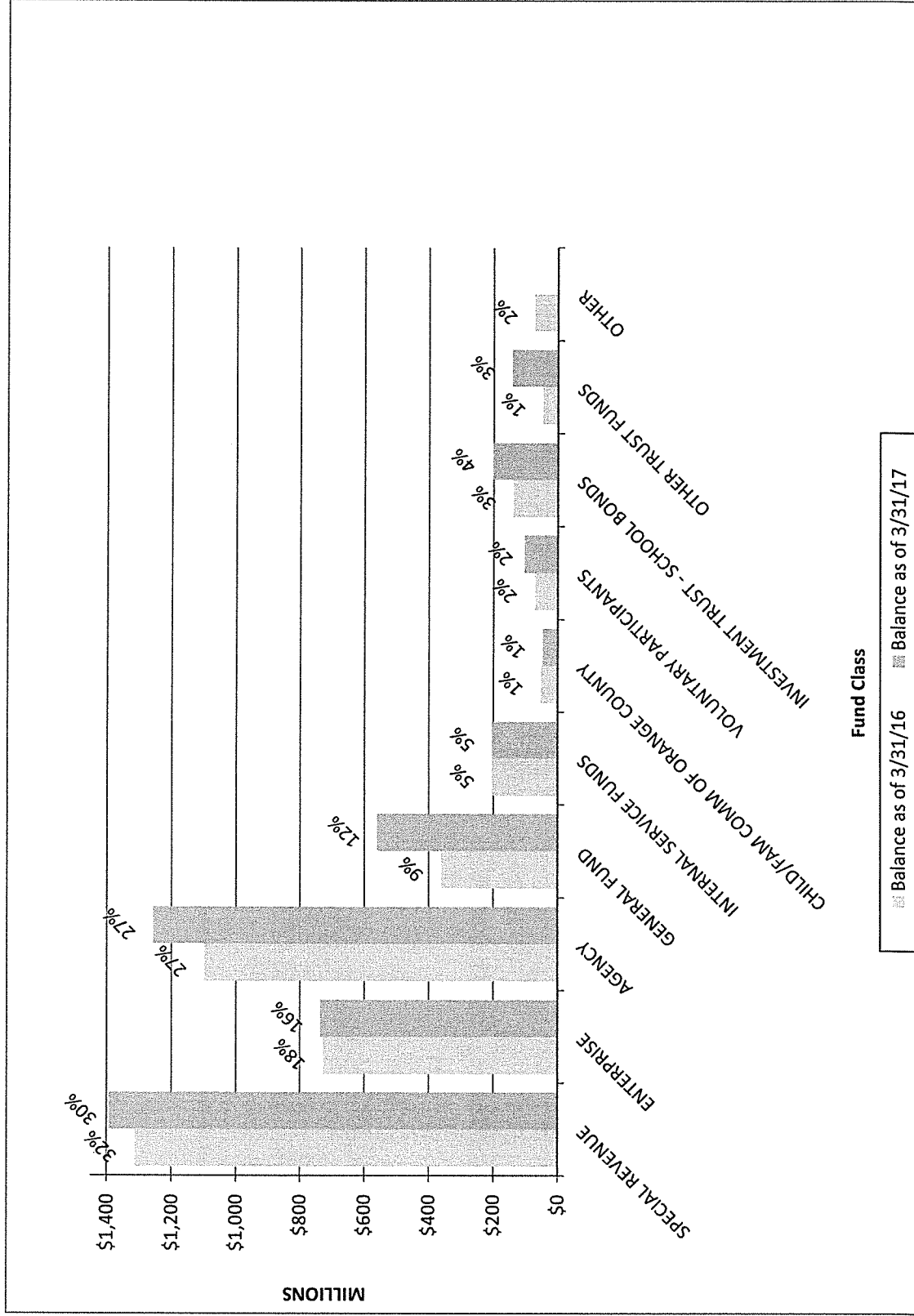
**** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

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

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,392,965,585
AGENCY	1,258,045,568
ENTERPRISE	735,483,480
GENERAL FUND	559,662,976
INTERNAL SERVICE FUNDS	203,970,383
INVESTMENT TRUST - SCHOOL BONDS	202,353,294
VOLUNTARY PARTICIPANTS	103,890,969
CHILD/FAM COMM OF ORANGE COUNTY	46,898,416
OTHER TRUST FUNDS	141,862,797
TOTAL	\$ 4,645,133,468

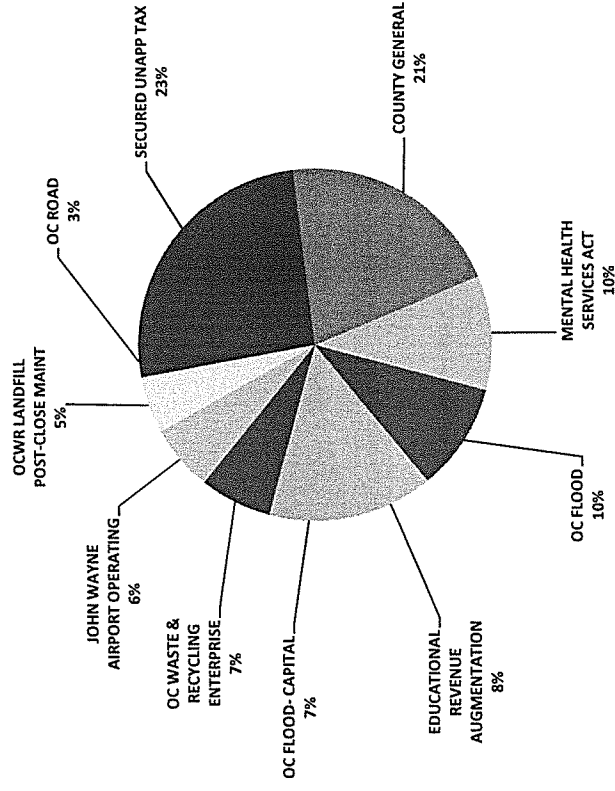


ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF MARCH 31



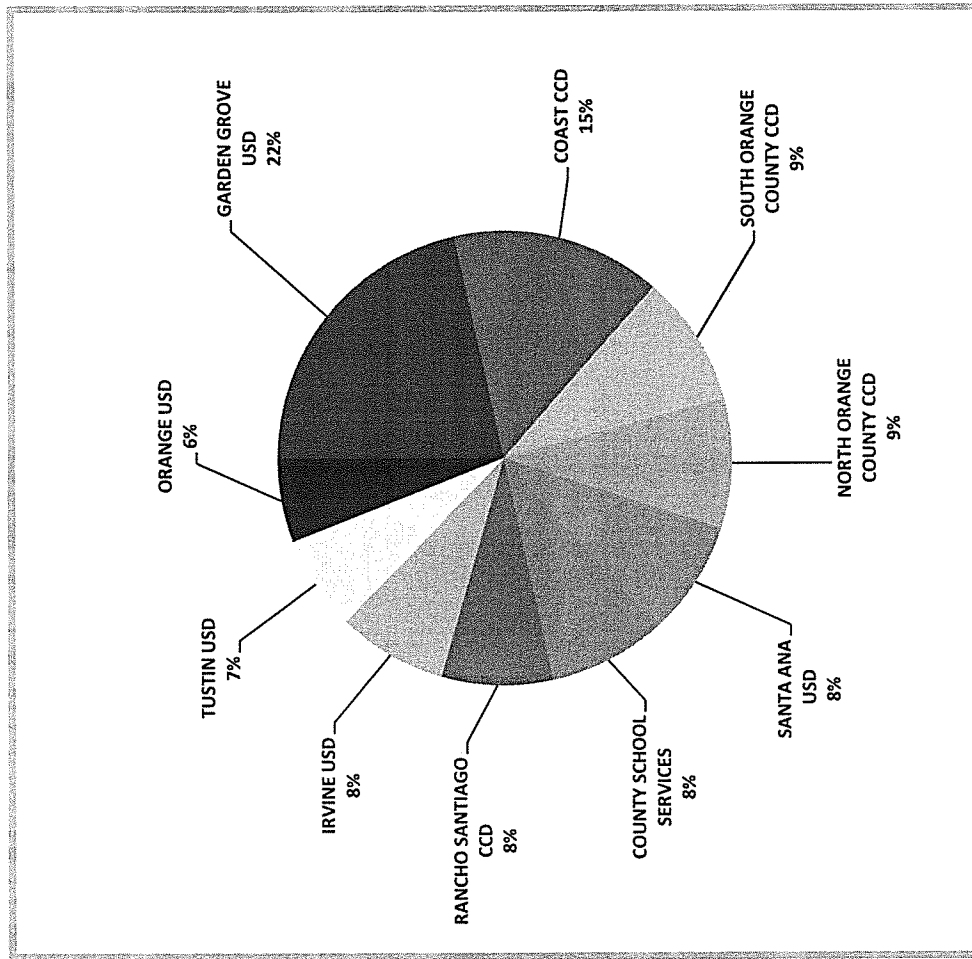
ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF MARCH 31, 2017

FUND #	FUND NAME	BALANCE
673	SECURED UNAPP TAX	\$ 600,363,627
100	COUNTY GENERAL	537,480,230
13Y	MENTAL HEALTH SERVICES ACT	272,532,760
400	OC FLOOD	258,742,837
664	EDUCATIONAL REVENUE AUGMENTATION	205,508,813
404	OC FLOOD - CAPITAL	187,095,112
299	OC WASTE & RECYCLING ENTERPRISE	172,023,284
280	JOHN WAYNE AIRPORT OPERATING	158,954,307
279	OCWR LANDFILL POST-CLOSE MAINT	135,684,433
115	OC ROAD	75,188,116
	TOTAL	\$ 2,603,573,519



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

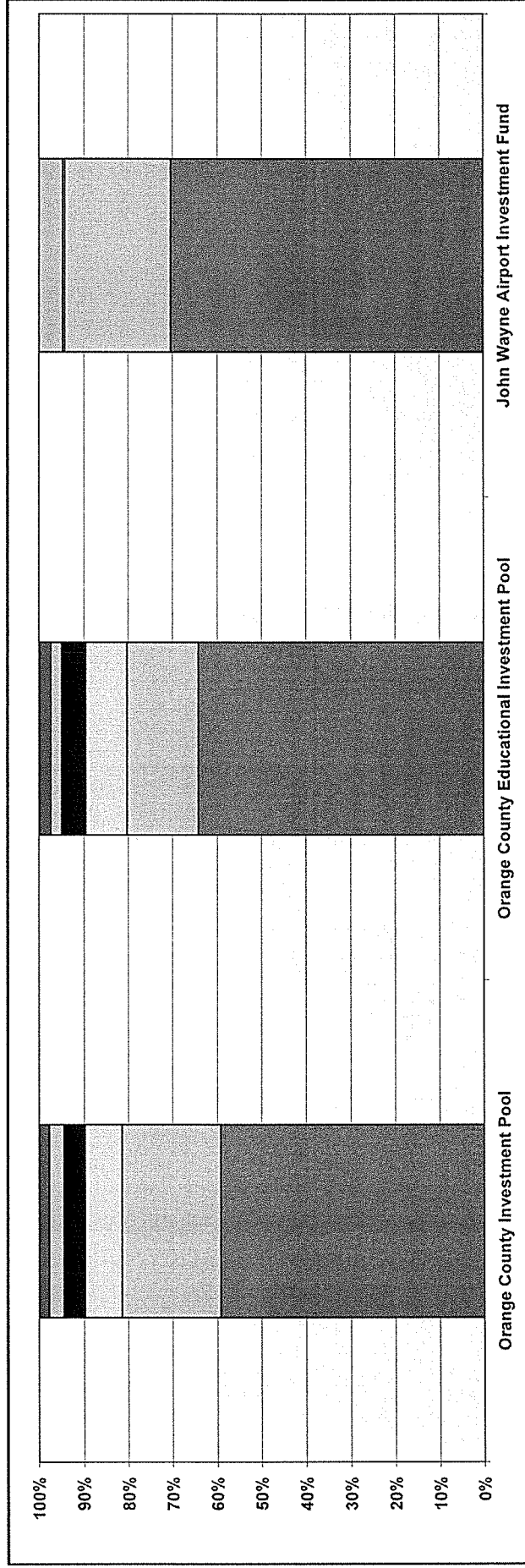
DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 627,678,604
90	COAST CCD	437,795,126
96	SOUTH ORANGE COUNTY CCD	272,537,326
88	NORTH ORANGE COUNTY CCD	268,167,920
84	SANTA ANA USD	244,530,790
94	COUNTY SCHOOL SERVICES	238,283,281
92	RANCHO SANTIAGO CCD	232,590,975
75	IRVINE USD	227,901,332
87	TUSTIN USD	197,071,060
80	ORANGE USD	173,112,239
TOTAL		\$ 2,919,668,653



ORANGE COUNTY TREASURER - TAX COLLECTOR

BY INVESTMENT TYPE - By Percentage Holdings

March 31, 2017



Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,736,463		59.25%
U. S. TREASURIES	1,026,600		22.23%
MEDIUM - TERM NOTES	381,742		8.27%
MUNICIPAL DEBT	216,589		4.68%
MONEY MARKET MUTUAL FUNDS	149,876		3.25%
CERTIFICATES OF DEPOSIT	104,192		2.26%
LOCAL AGENCY INVESTMENT FUND	2,796		0.06%
	<u>\$ 4,618,258</u>		<u>100.00%</u>

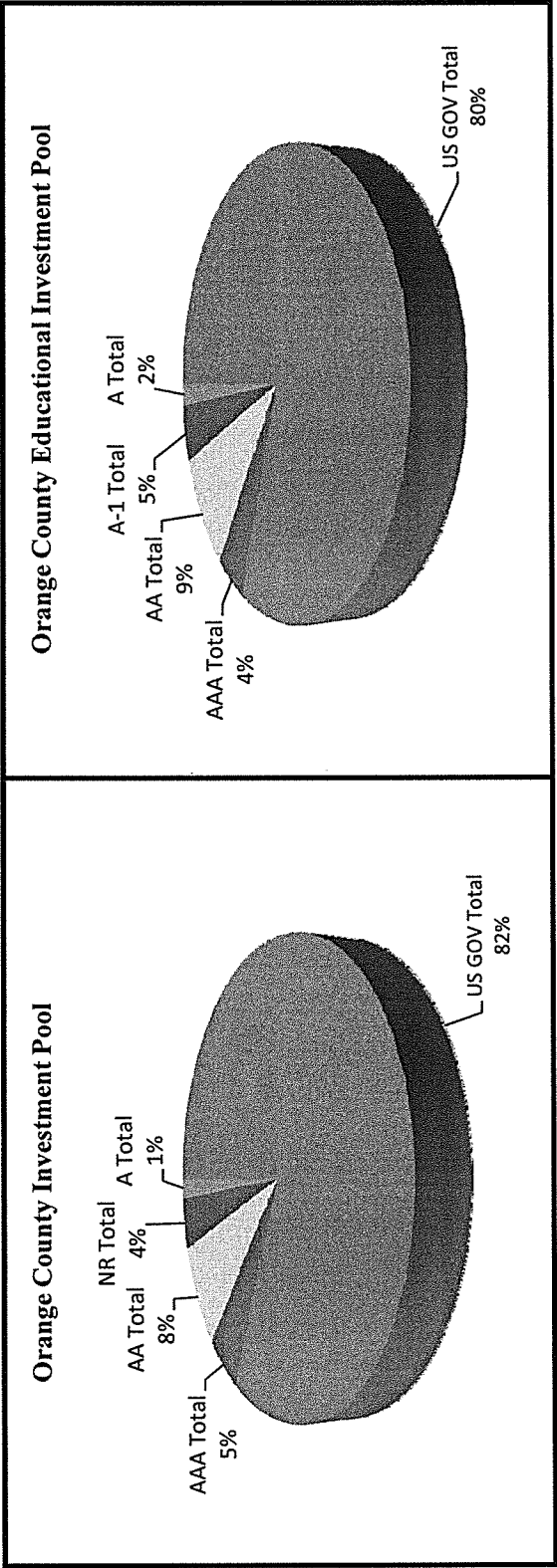
Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,745,484		64.19%
U. S. TREASURIES	687,141		16.06%
MEDIUM-TERM NOTES	400,224		9.36%
MUNICIPAL DEBT	225,887		5.28%
CERTIFICATES OF DEPOSIT	111,780		2.61%
MONEY MARKET MUTUAL FUNDS	104,002		2.43%
LOCAL AGENCY INVESTMENT FUND	2,917		0.07%
	<u>\$ 4,277,435</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 35,442		70.40%
U. S. TREASURIES	11,994		23.82%
MONEY MARKET MUTUAL FUNDS	2,692		5.35%
MEDIUM-TERM NOTES	218		0.43%
	<u>\$ 50,346</u>		<u>100.00%</u>

Calculated Using Market Value at 3/31/2017

ORANGE COUNTY TREASURER - TAX COLLECTOR CREDIT QUALITY BY MARKET VALUE

March 31, 2017

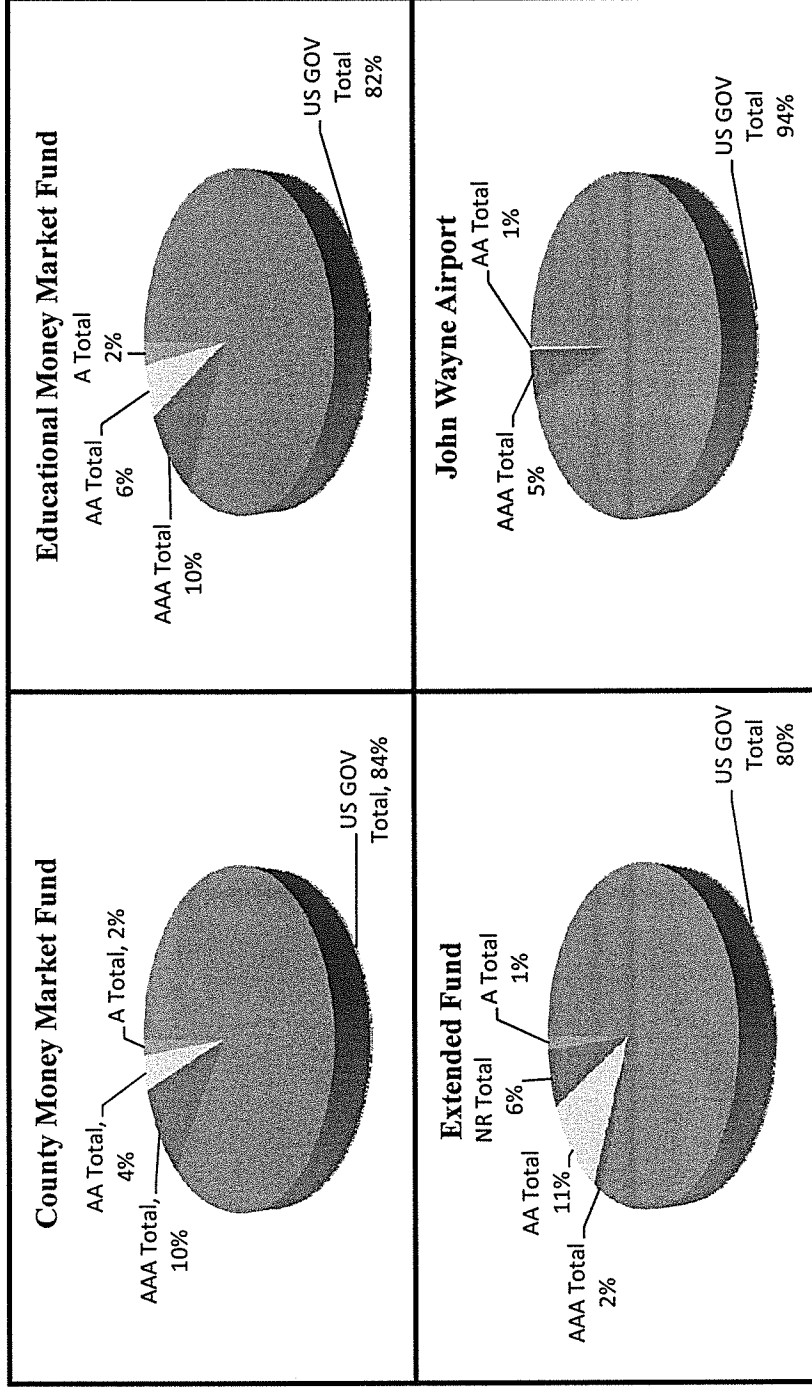


US GOV Includes Agency & Treasury Debt
 AA Includes AA+, AA- & AA
 A Includes A+, A- & A
 NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017 A

ORANGE COUNTY TREASURER - TAX COLLECTOR

CREDIT QUALITY BY MARKET VALUE

March 31, 2017



US GOV Includes Agency & Treasury Debt

AA Includes AA+, AA- & AA

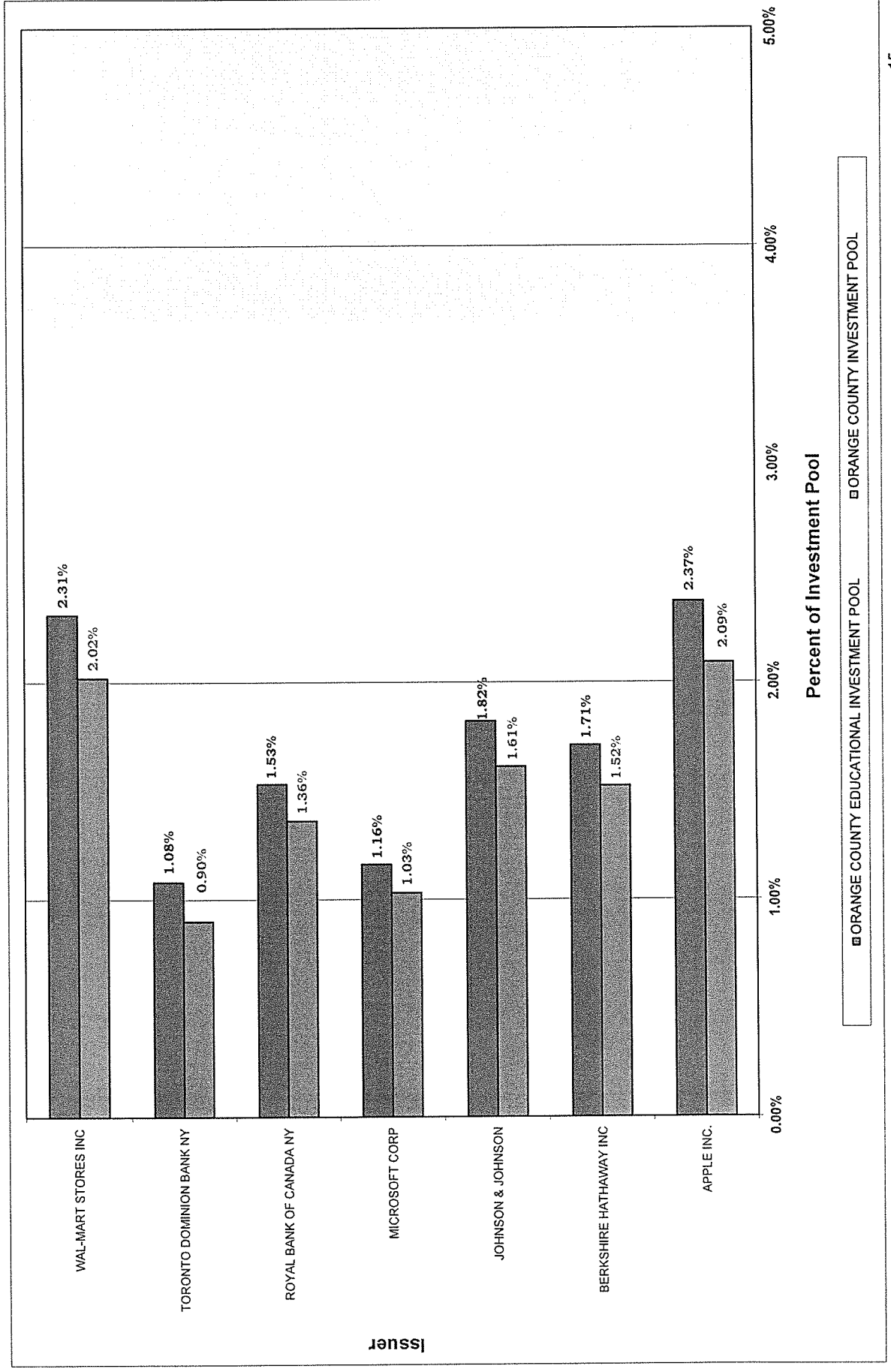
A Includes A+, A- & A

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

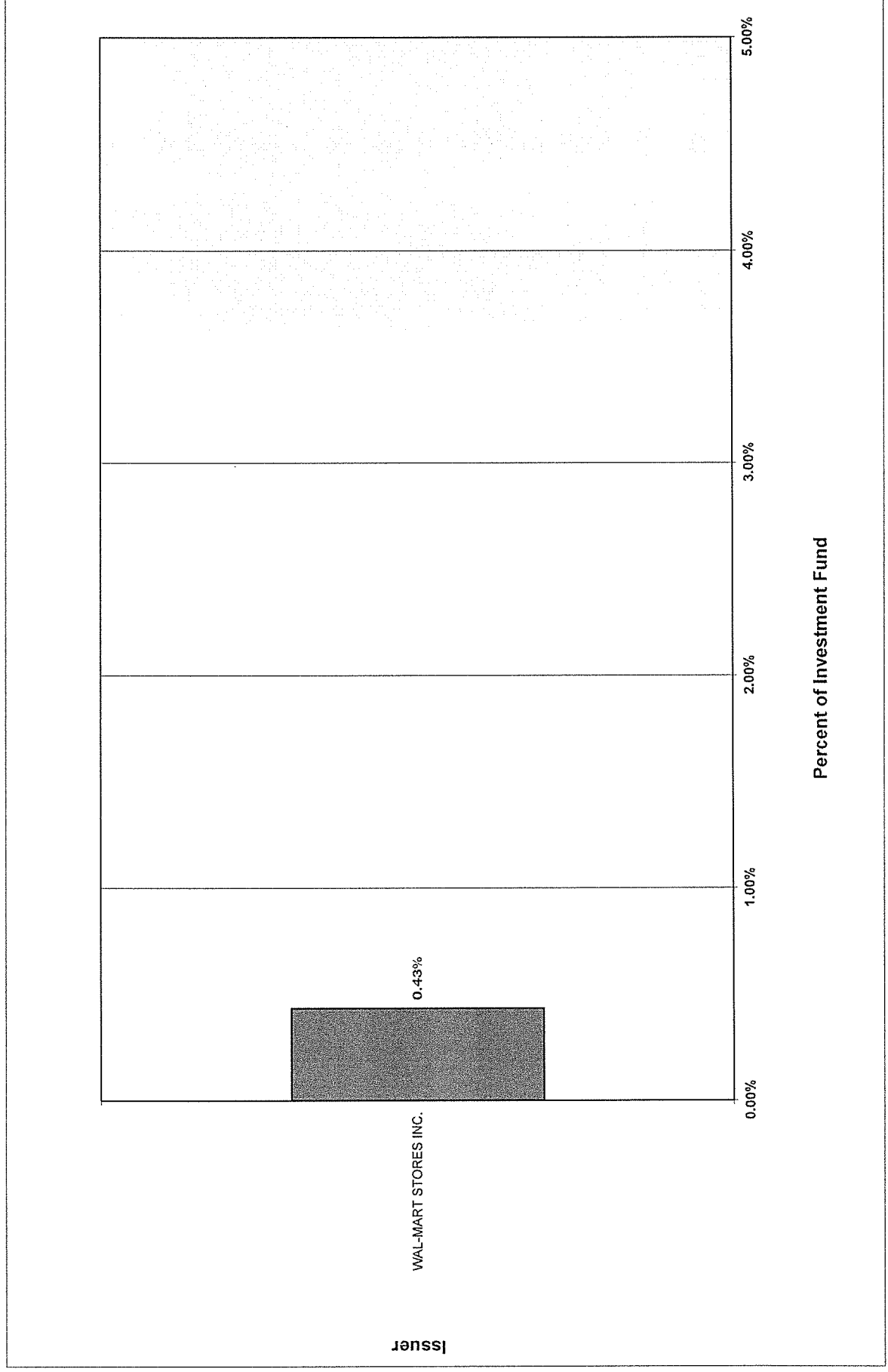
ORANGE COUNTY TREASURER - TAX COLLECTOR

ISSUER CONCENTRATION-By Investment Pool

March 31, 2017



ORANGE COUNTY TREASURER - TAX COLLECTOR
ISSUER CONCENTRATION - JOHN WAYNE AIRPORT INVESTMENT FUND
 March 31, 2017



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

ISSUER	S/T RATINGS			L/T RATINGS		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. TREASURY SECURITIES						
U.S. GOVERNMENT	A-1+	P-1	F1+	AA+	Aaa	AAA
U.S. GOVERNMENT AGENCY SECURITIES						
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
MEDIUM-TERM NOTES						
APPLE INC	A-1+	P-1	NR	AA+	Aa1	NR
BERKSHIRE HATHAWAY INC	A-1+	P-1	NR	AA	Aa2	A+
BERKSHIRE HATHAWAY FINANCE	NR	P-1	NR	NR	Aa2	A+
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
ISSUERS ON HOLD						
ROYAL BANK OF CANADA NY ***	A-1+	P-1	F1+	AA-	Aa3	AA
TORONTO DOMINION BANK NY ****	A-1+	P-1	F1+	AA-	Aa1	AA-
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2016 A	NR	NR	F1+	AA	NR	AA
ORANGE CNTY CA PENSION OBLG 2017 A	NR	NR	NR	NR	NR	NR
STATE POOL - LOCAL AGENCY INVESTMENT FUND						
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS *						
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	

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

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

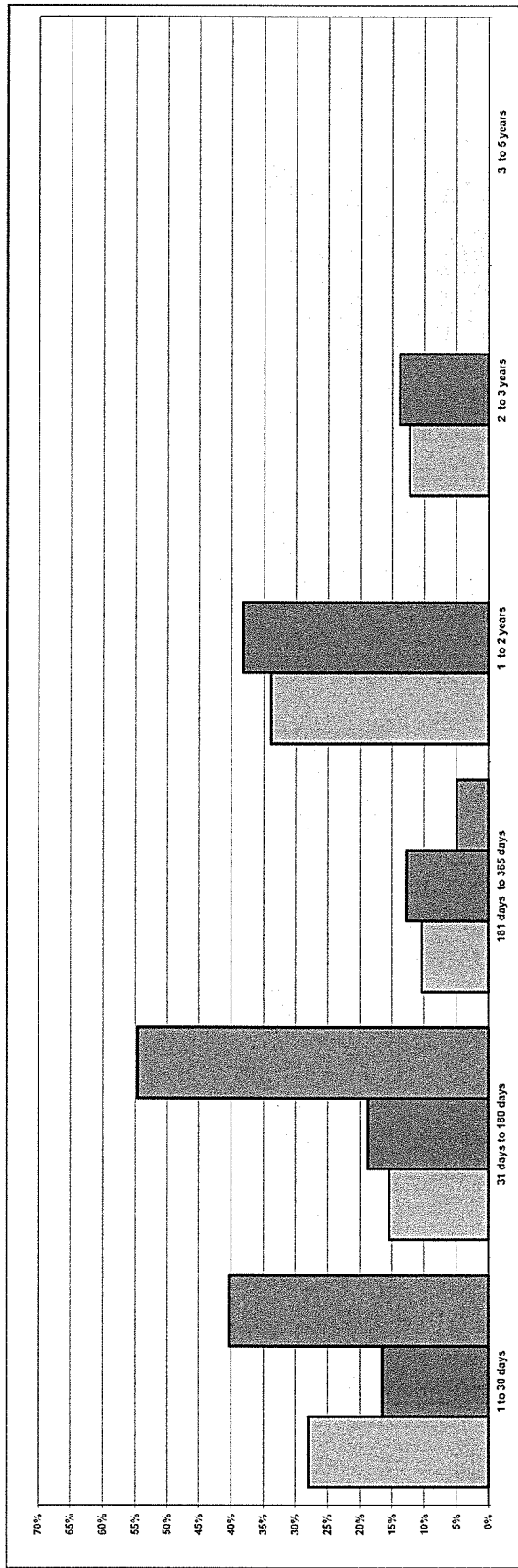
*** On Negative Outlook (S&P - June 6, 2016; Fitch - January 25, 2016; Moody's - June 11, 2014)

**** On Negative Outlook (Moody's - June 11, 2014)

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

During March, there were two changes to the Treasurer's Approved Issuer List. The Credit Investment Committee placed Toronto Dominion Bank NY on hold and removed Microsoft Corporation from being on hold. 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 March 31, 2017



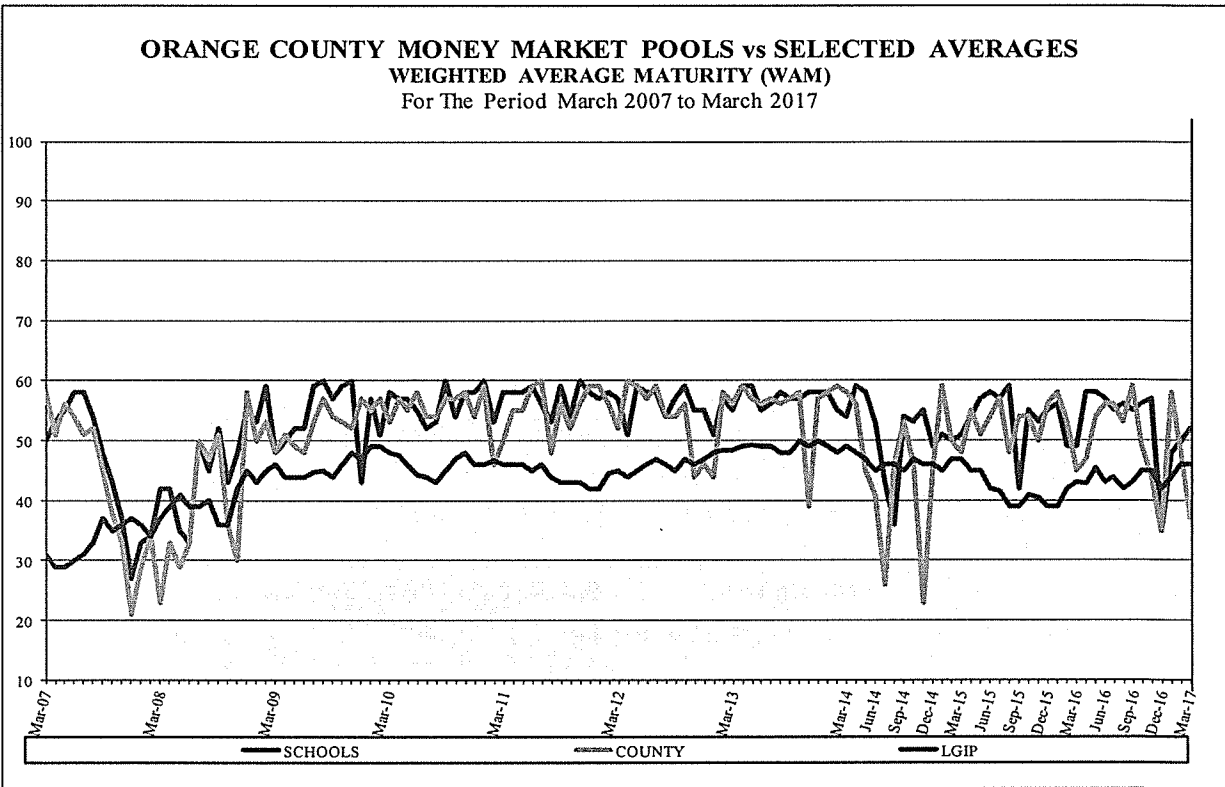
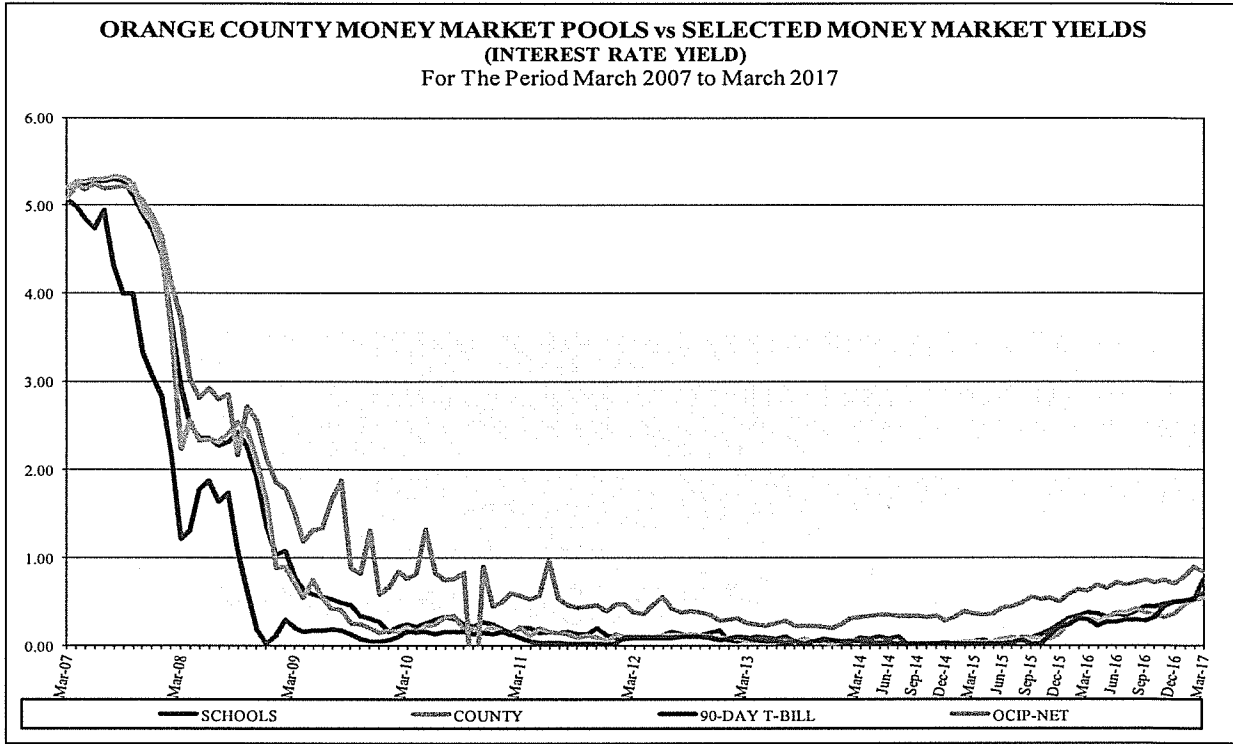
ORANGE COUNTY INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 1,294,480		28.01%
31 TO 180 DAYS	713,027		15.43%
181 TO 365 DAYS	477,808		10.34%
1 YEAR TO 2 YEARS	1,567,011		33.92%
2 YEARS TO 3 YEARS	568,459		12.30%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,620,785		100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 705,417		16.48%
31 TO 180 DAYS	801,829		18.74%
181 TO 365 DAYS	545,507		12.75%
1 YEAR TO 2 YEARS	1,634,128		38.18%
2 YEARS TO 3 YEARS	592,861		13.85%
3 YEARS TO 5 YEARS	-		0.00%
TOTAL	\$ 4,279,742		100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ^{1,2}		%
1 TO 30 DAYS	\$ 20,316		40.34%
31 TO 180 DAYS	27,542		54.69%
181 TO 365 DAYS	2,500		4.97%
1 YEAR TO 2 YEARS	-		0.00%
TOTAL	\$ 50,358		100.00%

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

² Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 3/31/2017, Floating Rate Notes comprise 0.48%, 0.99%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•As of March 31, 2017, S&P LGIP – 0.69; S&P LGIP WAM -46; 90-Day T-Bill – 0.74; OCIP – Net – 0.76

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

April 1, 2016 - March 31, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - March 2017				
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
February 2017				
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
January 2017				
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
December 2016				
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
November 2016				
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
October 2016				
County Pool - Money Market Fund	\$ 1,262,431,238	\$ 351,585	0.41%	49
Educational Pool - Money Market Fund	\$ 978,305,500	\$ 469,767	0.51%	56
Extended Fund	\$ 5,497,309,348	\$ 4,298,117	0.92%	504
September 2016				
County Pool - Money Market Fund	\$ 751,801,815	\$ 278,284	0.46%	59
Educational Pool - Money Market Fund	\$ 1,220,526,096	\$ 498,234	0.46%	55
Extended Fund	\$ 5,494,463,600	\$ 4,191,758	0.93%	501
August 2016				
County Pool - Money Market Fund	\$ 800,306,654	\$ 295,786	0.49%	53
Educational Pool - Money Market Fund	\$ 1,221,174,892	\$ 516,653	0.46%	56
Extended Fund	\$ 5,459,349,411	\$ 4,074,594	0.90%	484
July 2016				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
June 2016				
County Pool - Money Market Fund	\$ 928,467,500	\$ 418,507	0.44%	56
Educational Pool - Money Market Fund	\$ 1,611,309,522	\$ 519,651	0.43%	57
Extended Fund	\$ 5,387,530,673	\$ 4,192,339	0.95%	512
May 2016				
County Pool - Money Market Fund	\$ 1,345,822,973	\$ 487,226	0.39%	54
Educational Pool - Money Market Fund	\$ 1,550,458,922	\$ 554,610	0.39%	58
Extended Fund	\$ 5,364,702,464	\$ 4,084,932	0.90%	532
April 2016				
County Pool - Money Market Fund	\$ 1,650,959,211	\$ 611,665	0.34%	47
Educational Pool - Money Market Fund	\$ 1,789,408,388	\$ 534,423	0.43%	58
Extended Fund	\$ 5,336,146,252	\$ 4,277,809	1.00%	526
Fiscal Year July 1, 2016 - June 30, 2017	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 4,068,638,687	\$ 24,953,242	0.82%	370
Orange County Educational Investment Pool	\$ 4,041,142,043	\$ 24,951,993	0.82%	361

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING SEPTEMBER 30, 2017

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

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

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

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

The Cash Availability Projection for the six months ending September 30, 2017, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
March 2017 - Ending Cash				\$ 12,660,486
April	\$ 1,144,941,120	\$ 2,077,872,970	\$ 1,782,544,828	1,452,929,748
May	368,630,424	287,524,611	671,773,527	1,437,311,256
June	115,184,138	279,622,691	796,361,570	1,035,756,515
July	74,058,111	260,440,708	582,056,875	788,198,460
August	101,736,570	436,879,658	363,542,939	963,271,749
September	69,340,075	447,979,753	418,851,494	1,061,740,083

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
March 2017 - Ending Cash				\$ 2,563,821
April	\$ 589,321,986	\$ 1,242,956,346	\$ 689,471,299	1,145,370,854
May	467,021,554	398,881,570	709,242,480	1,302,031,498
June	119,765,540	520,190,865	730,371,284	1,211,616,619
July	58,902,626	286,371,297	467,457,907	1,089,432,636
August	105,143,909	263,417,878	509,317,746	948,676,676
September	115,968,925	538,741,729	624,874,456	978,512,873

ORANGE COUNTY TREASURER-TAX COLLECTOR

STATEMENT OF ACCOUNTABILITY

For the Month and Quarter Ended March 31, 2017

	Month	Quarter
Treasurer's Accountability at the Beginning of the Period:	\$8,555,881,843	\$ 9,486,775,469
Cash Receipts:		
County	973,912,318	2,041,461,333
School and Community College Districts	947,067,807	1,892,771,856
Total Cash Receipts	1,920,980,125	3,934,233,189
Cash Disbursements:		
County	651,548,299	2,072,663,832
School and Community College Districts	706,738,825	2,231,513,690
Total Cash Disbursements	1,358,287,124	4,304,177,522
Net Change in Book Value of Pooled Assets	562,693,001	(369,944,333)
Net Increase in Non Pooled Investments	30,486	67,997
Net Decrease in Non Pooled Cash	(2,935,945)	(1,229,748)
Treasurer's Accountability at the End of the Period:	\$9,115,669,385	\$ 9,115,669,385
Assets in the Treasury at the End of the Period (at Book Value):		
Pooled Investments:		
O.C. Investment Pool		\$ 4,632,472,982
O.C. Educational Investment Pool		4,292,699,654
Total Orange County Investment Pools		8,925,172,636
Non Pooled Investments:		
Non Pooled Investments - John Wayne Airport		50,368,300
Non Pooled Investments - General Fund – Non AMT Restricted		67,458,736
Non Pooled Investments - Fountain Valley School District Fund 40		34,864,857
Non Pooled Investments - Other		1,081,500
Total Non Pooled Investments		153,773,393
Cash:		
Cash in banks - County		12,533,526
Cash in banks - Schools		2,563,821
Cash in banks - OC Sheriff		13,917,597
Cash in banks - John Wayne Airport		7,581,452
Cash - Other		126,960
Total Cash		36,723,356
Total Assets in the Treasury at the End of the Period:		\$ 9,115,669,385

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

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
Diversification Limit									
30%	Negotiable Certificates of Deposit	\$ 6,601,954	0.38%	\$ 199,368,919	3.39%	\$ 10,000,700	0.78%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	967,215,447	55.50%	3,614,442,998	61.53%	900,288,618	70.42%	35,442,284	70.40%
\$50MM	LAIF	-	0.00%	5,713,261	0.10%	-	0.00%	-	0.00%
30%	Medium-Term Notes	114,278,313	6.56%	546,408,259	9.30%	121,279,590	9.49%	218,092	0.43%
20%	Money Market Mutual Funds	149,875,615	8.60%	442,476,444	7.53%	104,001,677	8.13%	2,691,570	5.35%
30%	Municipal Debt	-	0.00%	-	0.00%	-	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	504,785,566	28.96%	1,066,027,997	18.15%	142,927,512	11.18%	11,994,131	23.82%
		\$ 1,742,756,895	100.00%	\$ 5,874,437,878	100.00%	\$ 1,278,498,097	100.00%	\$ 50,346,077	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
5%	Percentage Limits	Yes		Yes		Yes		Yes	
20%	Issuer Limit	Yes ⁽²⁾		N/A		Yes ⁽²⁾		Yes	
50% ⁽⁴⁾	Money Market Mutual Fund Issuer	Yes		Yes		Yes		Yes	
See Above	Government Agencies Issuer	Yes		Yes		Yes		Yes	
60 Days	Diversification Limit	Yes		Yes		Yes		Yes	
90 Days	Maturity/Duration Limits	Yes/36.72		N/A		Yes/51.95		N/A	
>Merrill 1-3 Year Index+25% (2,36)	Weighted Average Maturity - Money Market Fund	N/A		N/A		N/A		Yes/67.46	
13 Months/397 days	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	N/A		N/A		N/A		N/A	
15 Months/456 days	Duration ⁽⁵⁾	N/A		Yes/1.39		N/A		N/A	
5 Years/1826 days	Final Maturity - Money Market Fund	Yes/376		N/A		Yes/376		N/A	
	Final Maturity - John Wayne Airport Investment Fund	N/A		N/A		N/A		Yes/214	
	Final Maturity - Extended Fund	N/A		Yes/1064		N/A		N/A	
A-1/2 A	Quality Limits	Yes		N/A		Yes		Yes	
≥ A-1/P-1/P2	MMF Short Term/Long Term	Yes		N/A		Yes		Yes	
A-1/2 AA ⁽²⁾	Short Term Debt/No Split Ratings	N/A		N/A		N/A		N/A	
Approved Issuer List	Extended Fund Short Term/Long Term	Yes		Yes		Yes		Yes	
Broker/Dealer List	Authorized Issuer	Yes		Yes		Yes		Yes	
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes		Yes		Yes		Yes	
	Net Asset Value - Money Market Fund and JWA	Yes/1.0002		N/A		Yes/1.0001		Yes/0.9998	

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

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

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

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

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.39) 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.

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
March 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)	December 31, 2016 in progress.
Annual Schedule of Assets Audit	ACIA	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2016 in progress.
Quarterly Continuous Compliance Auditing	ACIA	TOC Directive	Quarter ended December 31, 2016 completed, March 31, 2017 in progress.
Treasury Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	Annual review of fees for FY 14/15 and FY 15/16 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Annual review of calendar year 2016 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	A letter and the IPS certifications have been mailed to all authorized Broker/Dealers for 2017.
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions	FY 16/17 identified zero compliance incidents as of March 31, 2017.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 19, 2016 meeting. The BOS approved on November 22, 2016.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 19, 2016 meeting and did not make any additional changes. The BOS approved on November 22, 2016.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2016 Annual Report was presented to BOS on February 28, 2017.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on October 19, 2016.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for Calendar Year 2017.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for Calendar Year 2016 (one submitted in January 2017).
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	The TOC members are in compliance for Calendar Year 2016.

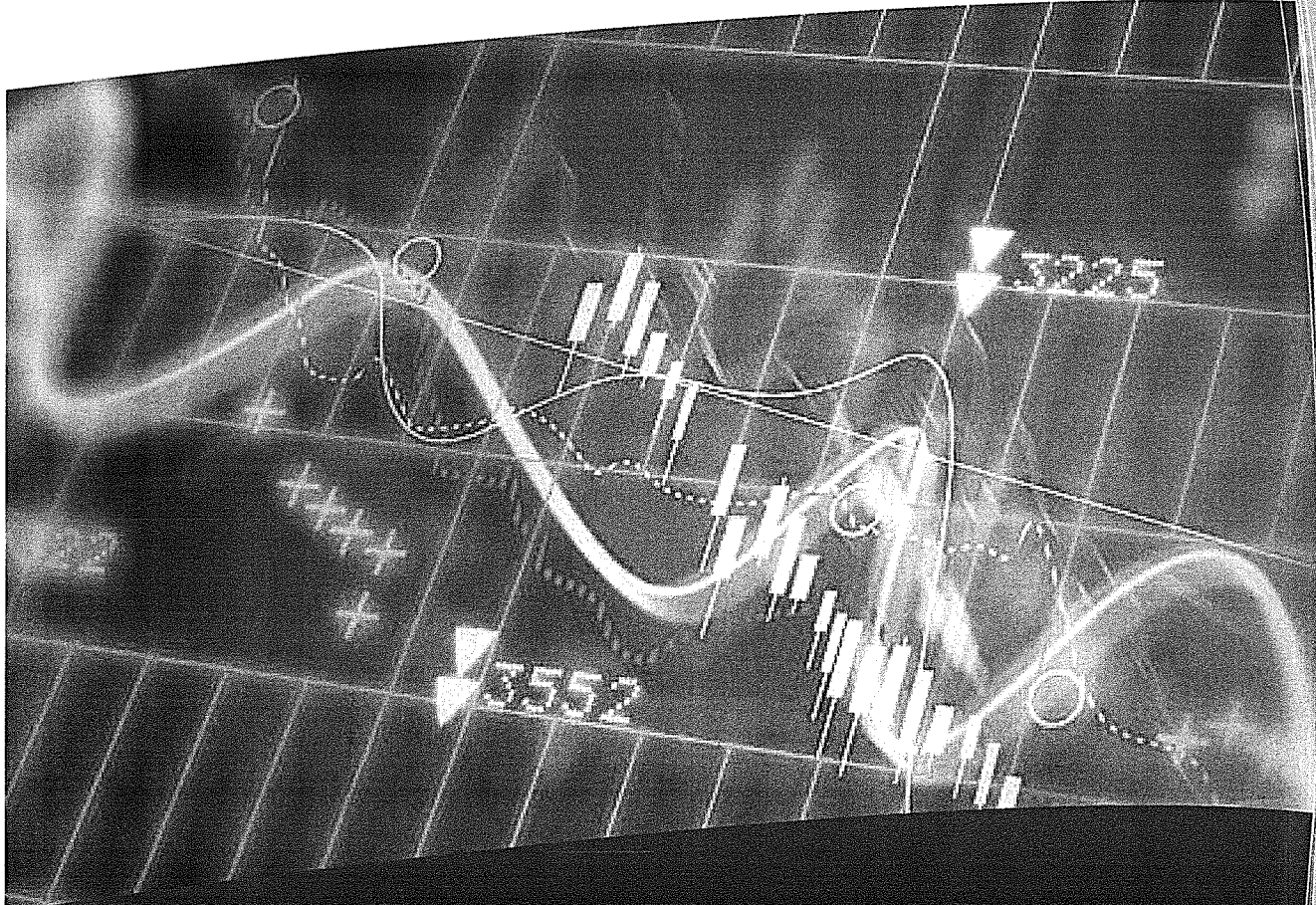
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended March 31, 2017**

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

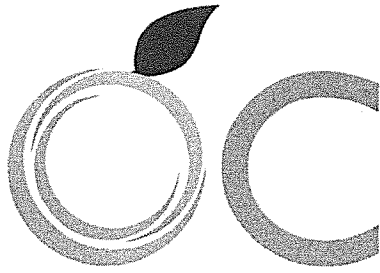


Orange County Auditor-Controller Internal Audit



Compliance Monitoring of the
Treasurer's Investment Portfolio for the
Quarter Ended December 31, 2016

Audit Number 1616
Report Date: March 13, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Carol Swe, CPA, CIA, CISA	Senior Audit Manager
Michael Steinhaus, CPA, CGMA	Audit Manager I
Raquel Zubi, CPA	Auditor II

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER

Transmittal Letter



Audit No. 1616

March 13, 2017

TO: Members, Treasury Oversight Committee

SUBJECT: Compliance Monitoring of the Treasurer's Investment Portfolio
For the Quarter Ended December 31, 2016

At the request of the Treasury Oversight Committee, we have completed the Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended December 31, 2016.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical or significant findings released in reports during the prior quarter and the implementation status of recommendations as disclosed by our Follow-Up Audits. Although there were no findings noted during this engagement, the results will be included in future status reports to the AOC and BOS.

Please feel free to call me should you wish to discuss any aspect of our report. Additionally, we request the department to complete a **Customer Survey** of Audit Services that will be sent shortly after the distribution of our final report.

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

Attachment

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Shari L. Freidenrich, Treasurer-Tax Collector
Eric H. Woolery, Auditor-Controller
Frank Kim, County Executive Officer
JC Squires, Financial Manager, Treasurer-Tax Collector – Treasury
Jennifer Han, Accounting/Compliance Manager, Treasurer-Tax Collector – Treasury
Robin Stieler, Clerk of the Board of Supervisors
Foreperson, Grand Jury
Macias Gini & O'Connell LLP, County External Auditor



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Treasurer's Investment Portfolio
For the Quarter Ended December 31, 2016
Audit No. 1616*

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Internal Auditor's Report

Audit No. 1616

March 13, 2017

Gary G. Capata, CPA, Chair, Public Member
Treasury Oversight Committee
625 North Ross Street, Building 11
Santa Ana, California 92701

We have completed the compliance monitoring of the Treasurer's Investment Portfolio for the quarter ended December 31, 2016. The purpose of our engagement was to determine whether the Orange County Investment Pool (OCIP), Orange County Educational Investment Pool (OCEIP), and various other non-pooled investments managed by the Treasurer, such as John Wayne Airport Investment Fund, were in compliance with the applicable provisions of its Investment Policy Statement (IPS) and that instances of noncompliance, including technical incidents, were properly reported in the Treasurer's Monthly Investment Report. It is important to note that the Treasurer further invests pooled funds from the OCIP and OCEIP into three funds: the Orange County Money Market Fund (OCMMF) and the Orange County Educational Money Market Fund (OCEMMF) (collectively referred to as Money Market Funds), and the Extended Fund.

We performed the compliance monitoring of the Treasurer's investment portfolio at the request of the Treasury Oversight Committee. The monitoring is designed to provide limited assurance to the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector that the Treasurer's investment portfolio is in compliance with specific provisions of the IPS, and that instances of noncompliance, technical incidents and required disclosures are properly reported.

Our compliance procedures included judgmentally selecting five (5) business days for testing from each month and importing the selected electronic downloads from the Treasurer's Quantum system into ACL, a computer-assisted audit technique software, to perform calculations and determine whether investment purchases were in compliance with the IPS.

Based on the procedures performed, **no instances of noncompliance were identified.** When applicable, our report also includes information regarding the Treasurer's reporting of technical incidents in the Treasurer's Monthly Investment Reports. The Treasurer defines a technical incident as an event, other than the purchase of a security, which causes an IPS limit to be exceeded. The most common cause of a technical incident is when the total investment pool holdings decrease causing the relative percentage of holdings to increase.



Internal Auditor's Report

The following lists the procedures performed and results achieved:

1. **Authorized Investments (IPS Section VI, VII, VIII, IX, XI):** We judgmentally selected a sample of 15 investments purchased during the quarter (one investment for each of the 15 business days selected for testing). For the samples selected, we confirmed that the investments conform to authorized investment requirements in accordance with the IPS. We also confirmed that the investments were purchased from issuers or brokers on the Treasurer's authorized lists.

Results: We found no exceptions.

2. **Diversification Compliance (IPS Section VIII.1):** We performed calculations to determine that the Money Market and Extended Fund portfolios met the diversification limits for investment types in accordance with the IPS, and that the John Wayne Airport Investment Fund met those diversification limits as well.

Results: We found no exceptions.

3. **Weighted Average Maturity (WAM) Limitations (IPS Section VIII.2):** We performed calculations to determine that WAM did not exceed 60 days for the Money Market Funds in accordance with the IPS and that WAM did not exceed 90 days for the John Wayne Airport Investment Fund.

Results: We found no exceptions.

4. **Maximum Maturity Limitations (IPS Section VIII.2):** We confirmed that the maximum maturity of any portfolio instrument purchased did not exceed 13 months (397 days) for the Money Market Fund and 5 years (1,826 days) for the Extended Fund in accordance with the IPS and that the maximum maturity did not exceed 15 months (456 days) for the John Wayne Airport Investment Fund.

Results: We found no exceptions.

5. **Investment Type Maximum Maturity Limitations (IPS Section VIII.1):** We confirmed that the maximum maturity of investments purchased for commercial paper, bankers' acceptances, and repurchase agreements did not exceed 270 days for commercial paper, 180 days for bankers' acceptances, or one-year (365 days) for repurchase agreements in accordance with the IPS.

Results: We found no exceptions.

6. **Issuer Limitations (IPS Section VIII.1):** We performed calculations to determine that the Money Market and Extended Fund portfolios did not exceed the investment limits for issuers in accordance with the IPS, and that the John Wayne Airport Investment Fund did not exceed those investment limits.

Results: We found no exceptions.



Internal Auditor's Report

7. **Financial Reporting (IPS Section XXI):** We reviewed the investment portfolio for a sample of 15 business days to determine that any instances of non-compliance or technical incidents were properly reported in the Treasurer's Monthly Investment Report in accordance with the IPS.

Results: We found no exceptions.

This report is intended solely for the information and use of the Treasury Oversight Committee and the Office of the Treasurer-Tax Collector; however, this report is a matter of public record and its distribution is not limited.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Toni Smart", is positioned above the printed name.

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

COUNTY OF ORANGE, CALIFORNIA

Management Letter
For the Year Ended June 30, 2016



Certified
Public
Accountants

COUNTY OF ORANGE, CALIFORNIA
Management Letter
For the Year Ended June 30, 2016

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To the Board of Supervisors and
Management of the
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the Children and Families Commission of Orange County and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance, as described in our report on the County's financial statements. This letter does not include the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors.

In planning and performing our audit of the basic financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A separate letter dated December 15, 2016, which was included in the County's Single Audit report for the year ended June 30, 2016, contains our communication of our consideration of the County's internal control in accordance with *Government Auditing Standards*. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a deficiency in internal control, which is reported as item 2016-A in the accompanying schedule of current year recommendations. We also have included informational comments on new accounting standards, which will be required to be implemented in subsequent fiscal years. Furthermore, the accompanying schedule of status of prior year recommendations summarizes the status of prior year recommendations previously communicated to you about the County's internal control in our letter dated December 17, 2015. This letter does not affect our report dated December 15, 2016, on the financial statements of the County.

The County's response to the internal control finding identified in our audit is described in the accompanying schedule of current year recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response. We will continue to review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Supervisors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Newport Beach, California
December 15, 2016

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendations
For the Year Ended June 30, 2016

Finding 2016-A: Duplicate Bank Files in Quantum and Error in Correcting the Duplication Resulted in a delay of the Approval of Month-End Summary Bank Reconciliations.

Control Deficiency

Criteria

Established internal controls over investments require that Month-End Summary Bank Reconciliations are reviewed and approved ten (10) days after month-end by authorized management in the County's Treasurer-Tax Collector Department (TTC), Treasury Division.

Condition

During our test of internal controls over the County's investments, we noted that the December 2015 through May 2016 Month-End Summary Bank Reconciliations did not receive written approval on a timely basis caused by the duplicate importing of the daily bank files on December 21, 2015. This was due to an employee who erroneously thought the bank file import for December 18, 2015 was missing, and imported it a second time. In the process of correcting the duplication, a related \$110 million of ZBA cash flow entries were deleted. The \$110 million of offsetting ZBA cash flow entries resulted in zero net impact to the cash balances reflected in the Treasurer's subsidiary bank balance records in Quantum. The preliminary Month-End Summary Bank Reconciliation at December 31, 2015, reflected the \$110 million of duplicate ZBA cash flow entries as unreconciled differences based on incorrect reports generated by the database query program. The clean-up process took approximately five months due to the Month-End Summary database query not properly recognizing the deleted duplicate transactions requiring significant additional staff time to prepare the Month-End Summary Bank Reconciliations using alternative reports and manual review of timing differences. Treasury management met with Auditor Controller, Information Technology (AC-IT) to develop an approach to correct the duplicative impact in the database query program. AC-IT modified the database query program, which corrected the problem. During the period from December to May, reconciliations were performed, which took into consideration the \$110 million discrepancy. Throughout this period, Treasury staff continued to reconcile all bank activity on a daily basis and management reviewed reconciliations monthly, but did not approve until the duplicate file issue was fully resolved. This error did not affect any County-wide systems (CAPS+, FAS, or Quantum, except for the deleted ZBA cash flow entries which netted out to zero).

Cause

An employee erroneously imported the bank file a second time on December 21, 2015, and in the process of correcting it, \$110 million of ZBA cash flow entries were deleted.

Effect

The timely approval of the Month-End Summary Bank Reconciliation did not occur due to the impact of the duplicate and deleted records on the reports used to reconcile month-end bank balances with the Quantum general ledger bank balances. However, the bank activity was reconciled on a daily basis and management reviewed reconciliations monthly.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendations (Continued)
For the Year Ended June 30, 2016

Recommendation for Corrective Action

We recommend that the Treasury Division modify their procedures for the daily import of bank files requiring management approval for any manual import of bank files and when corrections are made.

Corrective Action Plan

The procedure for manually importing bank files has been updated to include required written management approval prior to importing bank files along with specific steps to validate the need to import files. In addition, specific steps for the correction of an erroneous import of bank files have also been added to the procedure.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendations (Continued)
For the Year Ended June 30, 2016

Item 2016-B:

Informational

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefits Other Than Pension Plans* and GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Postemployment benefits other than pensions (OPEB) principally involve health care benefits, but also may include life insurance, disability, legal and other services. In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" (GASB Statement No. 74), and GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" (GASB Statement No. 75), which are intended to improve the accounting and financial reporting by state and local governments for postemployment benefits (hereinafter referred to as the "OPEB Standards").

The OPEB Standards are designed to improve the information reported on OPEB for decision-making and accountability purposes, comparability across governments, and transparency for those who avail themselves to it. They also are designed to equip state and local government policy makers and all users of governmental financial reports with information that would allow them to obtain a more comprehensive understanding of a government's financial position.

The new OPEB Standards parallel the recently adopted pension standards under GASB Statement No. 67, "*Financial Reporting for Pension Plans*", and GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", and intend to bring about fundamental changes in how OPEB is accounted for and reported. Similar to the changes made to the pension standards, these new OPEB Standards provide a more comprehensive picture of what state and local governments have committed to their employees and the associated costs. Accordingly, the OPEB standards will affect the County's financial statements in the following ways:

- Change how the long-term obligation and the annual expense of OPEB are measured,
- Recognize the net OPEB liability on the face of the financial statements, and
- Present more extensive note disclosures and related supplemental schedules.

The requirements of GASB Statement No. 74 are effective for OPEB plan financial statements for periods beginning after June 15, 2016. Because the County's OPEB Plan year-end is December 31, the provisions in GASB Statement No. 74 are effective for the County's fiscal year ending June 30, 2018, although early implementation is encouraged. The provisions of GASB Statement No. 75 affecting employers that provide OPEB benefits are effective for fiscal years beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18, although early implementation is also encouraged.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Current Year Recommendations (Continued)
For the Year Ended June 30, 2016

GASB Statement No. 77 – *Tax Abatement Disclosures*

In August 2015, GASB issued Statement No. 77, "*Tax Abatement Disclosures*." This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17, although early implementation is encouraged.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*

In January 2016, GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units— an amendment of GASB Statement No. 14*." This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17, although early implementation is encouraged.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*

In March 2016, GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.

Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements beginning after December 15, 2016, which requires the County to implement this statement in FY 2017-18, although early implementation is encouraged.

GASB Statement No. 83 – *Certain Asset Retirement Obligations*

In November 2016, GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*." This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs.) This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19, although early implementation is encouraged.

Recommendation

The County should evaluate the impacts of the new standards and develop implementation plans to address these new accounting and financial reporting requirements.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations
For the Year Ended June 30, 2016

Finding 2013-A: IT CONTROLS: COMPREHENSIVE DISASTER RECOVERY PLAN

Criteria

General computer operation controls require that an agency develop and implement disaster recovery and business continuity plans to provide contingency to minimize disruption to an entity's operations, including financial and data management, in the event of a disaster.

Condition

While the County performs regular backups and testing of system and data files using the County of Los Angeles' system resources, no formal disaster recovery plan has been implemented. The County has developed an agreement with Science Applications International Corporation (SAIC) to provide both backup and recovery services, which should be implemented in the first quarter of calendar year 2014.

Cause

The County's disaster recovery plan had not been finalized.

Effect

Until the County's disaster recovery plan has been fully implemented and tested, the County is at risk of data loss and data integrity in the event of a disaster.

Recommendation for Corrective Action

We recommend County CIO office continue with efforts to implement a comprehensive disaster recovery plan. Once implemented, the plan should be periodically tested to ensure County systems and data can be recovered in a timely manner. Any findings from the testing should be incorporated into updates to the plan.

Status of Corrective Action Plan

In Progress.

The County of Orange activated the Disaster Recovery Site in Scottsdale, Arizona on June 8, 2015. The Disaster Recovery Stack for CAPS has been established at the OC Data Center as of December 4, 2015 and the County is scheduled to move the Stack to Scottsdale, Arizona as of late April 2016.

The County-Wide DR plan continues to be worked on by OCIT Security. The Data Center Test DR plan (responsibility of managed services contractor, SAIC), was reviewed on December 7, 2016 and has been approved by Security. The DR testing has been scheduled in 4 phases;

Phase 1 = OCIT DR Services - last 2 weeks of January 2017

Phase 2 = AC, CR, SSA, TTC - February 2017

Phase 3 = Probation, OCCR, OCPW, ROV, CSS - March 2017

Phase 4 = CAPS+ DR Services - Fall 2017 (after the new CAPS upgrade is complete for all environments)

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2016

Finding 2013-B: IT CONTROLS: PASSWORD CONTROLS

Criteria

General IT controls require that access to programs and data be properly secured. A primary method of controlling access is through the use and enforcement of passwords with strict standards.

Condition

A County-wide Password Standard is not enforced. The County Security Director has been tasked by the County's Technology Council to address this new initiative.

Cause

The County had not completed efforts to standardize and centrally enforce password standards among the financial applications the County uses.

Effect

The County is at risk of data loss and data integrity in the event of unauthorized users accessing its systems.

Recommendation for Corrective Action

The County Security Director, working with the County's Technology Council, should revise the County-wide Security Policy to strengthen the minimum password standard and update systems securities to force user compliance. Best practices related to the password controls include the following configuration requirements:

- Length: 8-14 characters
- Expiration Period: 30-90 days
- Password History Maintained: 12
- Password Complexity Requirement: Strong (must contain at least three of the following four character types: Lower case letter, Upper case letter, Number, and Special Character)
- Three to five failed logon attempts will lock the user account.

Status of Corrective Action Plan

In Progress.

The updated Password Policy/Best Business Practices has met all of the County requirements for implementation. The County-Wide Password Policy is expected to be published as part of a County Cyber Security Policy and Procedures Manual by December 2017. The policy will be reviewed again through the IT governance process and will be published with all security policies.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2016

Finding 2015-A: Investments

Control Deficiency

Criteria

Established internal controls over investments require that each of the three Daily Investment Portfolio Statistics reports be reviewed and approved timely by the appointed personnel in the County's Treasurer-Tax Collector Department.

Condition

During our review and evaluation of internal controls over the County's investments, we noted in a test of forty investments that one Daily Investment Portfolio Statistics report for a newly created specific non-pooled investment fund was not signed as approved by a Treasury manager based on established controls to ensure post-trade compliance with the County's Investment Policy. While the Office of the Treasurer-Tax Collector has established pre-trade and post-trade controls to assure compliance with the County's Investment Policy, an oversight resulted in the report not being properly approved.

Cause

The Daily Investment Portfolio Statistics report for a specific non-pooled investment fund was not signed as approved by the proper authorized personnel due to an oversight by management. The investment was in compliance with the County's Investment Policy.

Effect

Without proper post-trade compliance review and approval, an investment purchase that is out of compliance with the County's Investment Policy may not be discovered on a timely basis.

Recommendation for Corrective Action

We recommend that the Treasury Division document management review and approval for each required document in the post-trade compliance process to ensure compliance with the County's Investment Policy.

Corrective Action Plan

Concur. The Treasurer-Tax Collector and Treasury management staff understand the importance of documenting review and approvals of all required documents in the post-trade compliance process. As a further check to show this was an isolated event, the Chief Assistant Treasurer-Tax Collector selected a random sample of 30 Daily Investment Portfolio Statistics reports and noted in all cases that the Treasury management review and approval had been properly documented.

Status of Corrective Action Plan

Implemented.

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)



April 26, 2017

[Handwritten signature of Darrell Johnson]

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - March 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 March 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 March 31, 2017, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.45 billion. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program. The weighted average book yield for the OCTA portfolio is 1.19 percent.

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

Summary

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

Attachment

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

Prepared by:



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

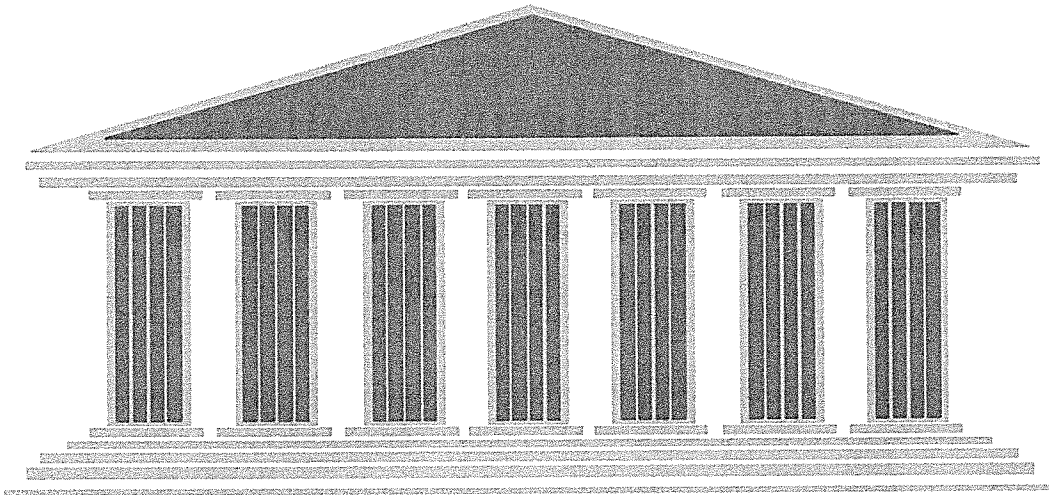
Approved by:



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
March 31, 2017**

INVESTMENT PROGRAM

Investment Profile

As of 3/31/17

<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	324.9
State Street Global Advisors	Union Bank	Custodian	Short-Term Operating	324.7
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	325.1
Western Asset Management	Union Bank	Custodian	Short-Term Operating	324.2
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.2
Orange County Treasurer	OCIP	Custodian	Legal Requirement	0.0
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	80.1
OCTA	Bank of the West	Broker	Liquid	32.8
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	Negotiable CD	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Negotiable CD	3.0
Bank Deposits/Cash				0.1
TOTAL				\$1,446.0

Short-Term Portfolio - \$1.3 Billion

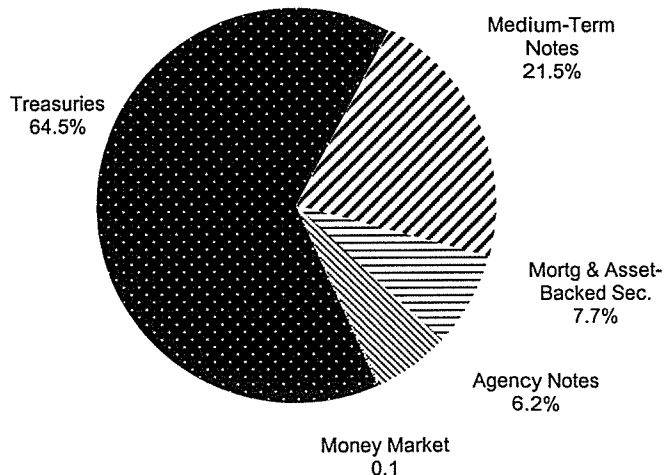
As of 3/31/17

Part 1 of 2

JP Morgan

Book Value \$ 324,860,371

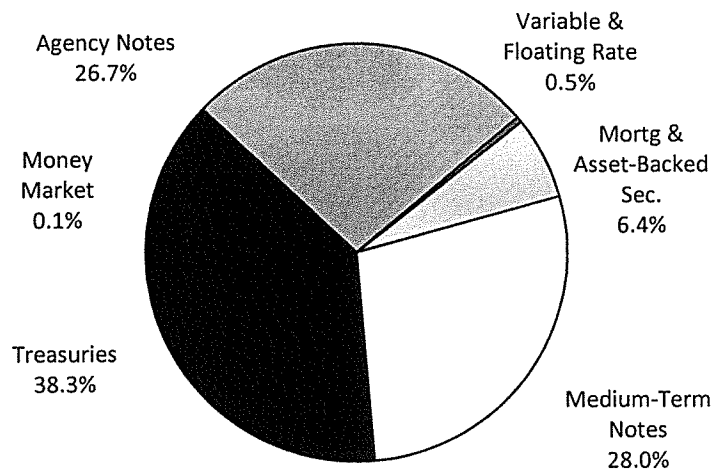
Market Value \$ 322,229,465



State Street Global

Book Value \$ 324,722,677

Market Value \$ 323,741,862



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$1.3 Billion

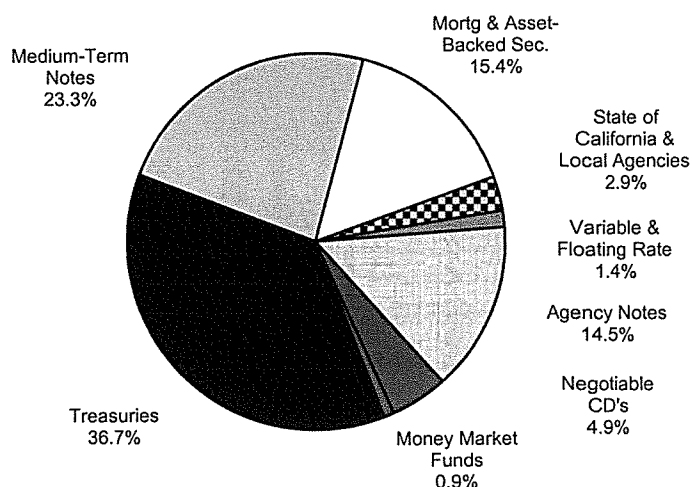
As of 3/31/17

Part 2 of 2

Payden & Rygel

Book Value \$ 325,077,707

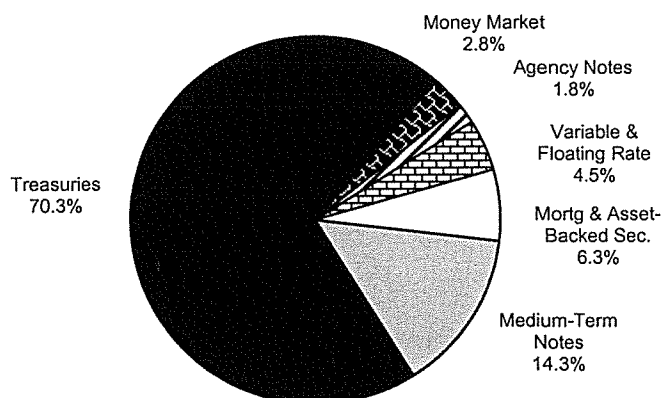
Market Value \$ 324,064,712



Western Asset Management

Book Value \$ 324,158,345

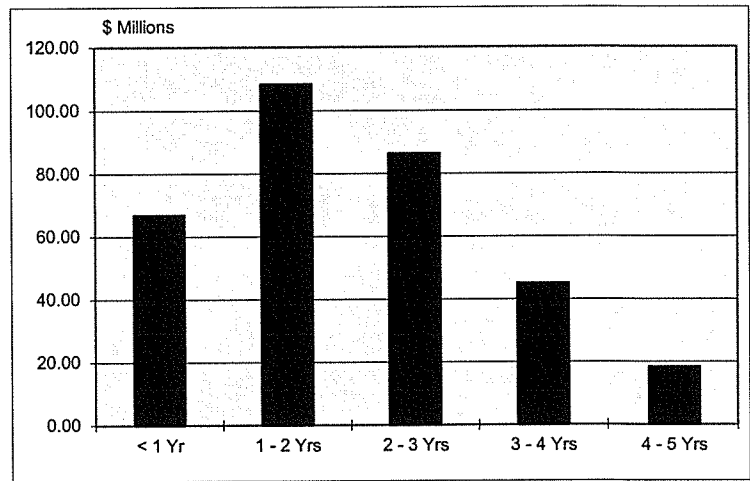
Market Value \$ 323,842,460



Short-Term Portfolio Maturity Schedule As of 3/31/17

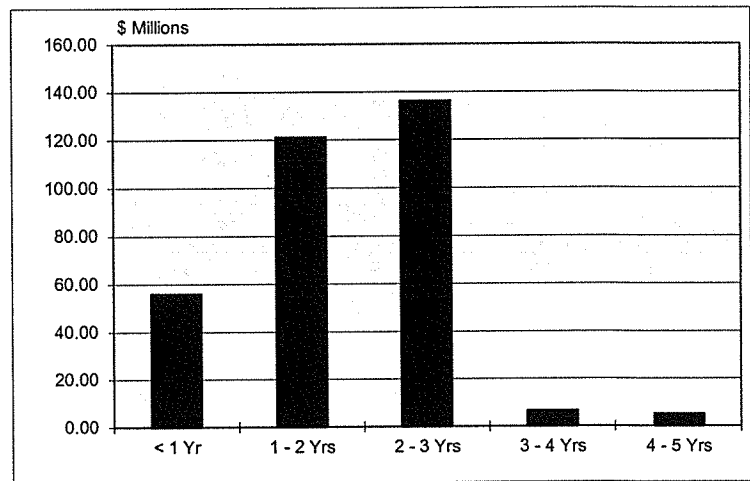
JP Morgan (\$324.9 M)

Monthly Return	0.05%
TSY Benchmark	0.03%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	-0.15%
TSY Benchmark	-0.28%
Gov/Corp Benchmark	-0.12%
12 Month Return	0.39%
TSY Benchmark	0.25%
Gov/Corp Benchmark	0.47%



State Street Global (\$324.7 M)

Monthly Return	0.04%
Benchmark Comparison	0.03%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	-0.08%
TSY Benchmark	-0.28%
Gov/Corp Benchmark	-0.12%
12 Month Return	0.48%
TSY Benchmark	0.25%
Gov/Corp Benchmark	0.47%

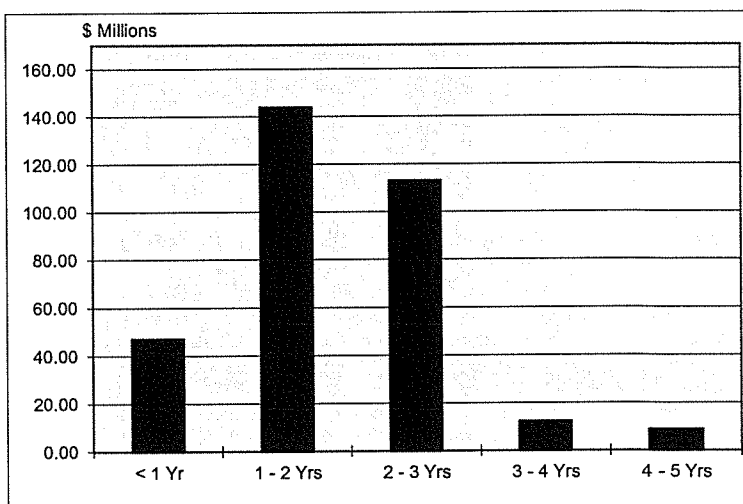


Yield Curve Change From 2/28/17 to 3/31/17			
	<u>2/28/17</u>	<u>3/31/17</u>	<u>Change</u>
1 Year	0.823%	1.019%	0.1960%
2 Year	1.262%	1.256%	-0.0060%
3 Year	1.520%	1.490%	-0.0300%
5 Year	1.930%	1.922%	-0.0080%
30 Year	2.996%	3.010%	0.0140%

Short-Term Portfolio Maturity Schedule As of 3/31/17

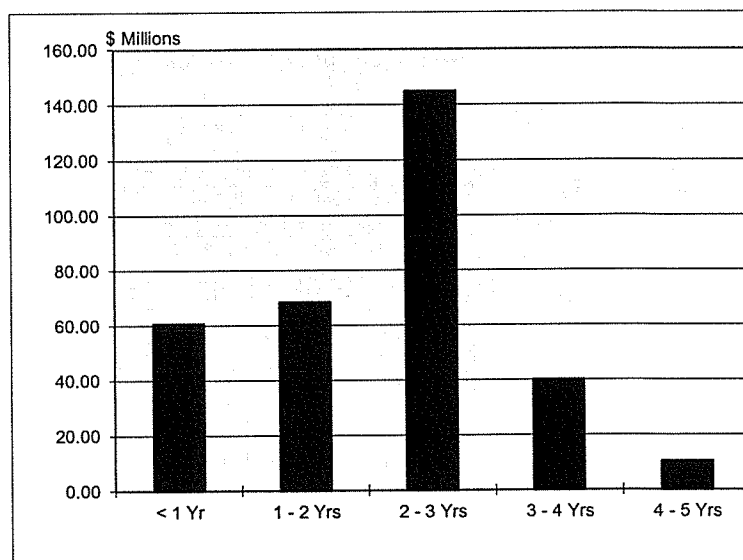
Payden & Rygel (\$325.1 M)

Monthly Return	0.06%
TSY Benchmark	0.03%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	0.17%
TSY Benchmark	-0.28%
Gov/Corp Benchmark	-0.12%
12 Month Return	0.65%
TSY Benchmark	0.25%
Gov/Corp Benchmark	0.47%



Western Asset Management (\$324.2 M)

Monthly Return	0.06%
TSY Benchmark	0.03%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	-0.17%
TSY Benchmark	-0.28%
Gov/Corp Benchmark	-0.12%
12 Month Return	0.54%
TSY Benchmark	0.25%
Gov/Corp Benchmark	0.47%

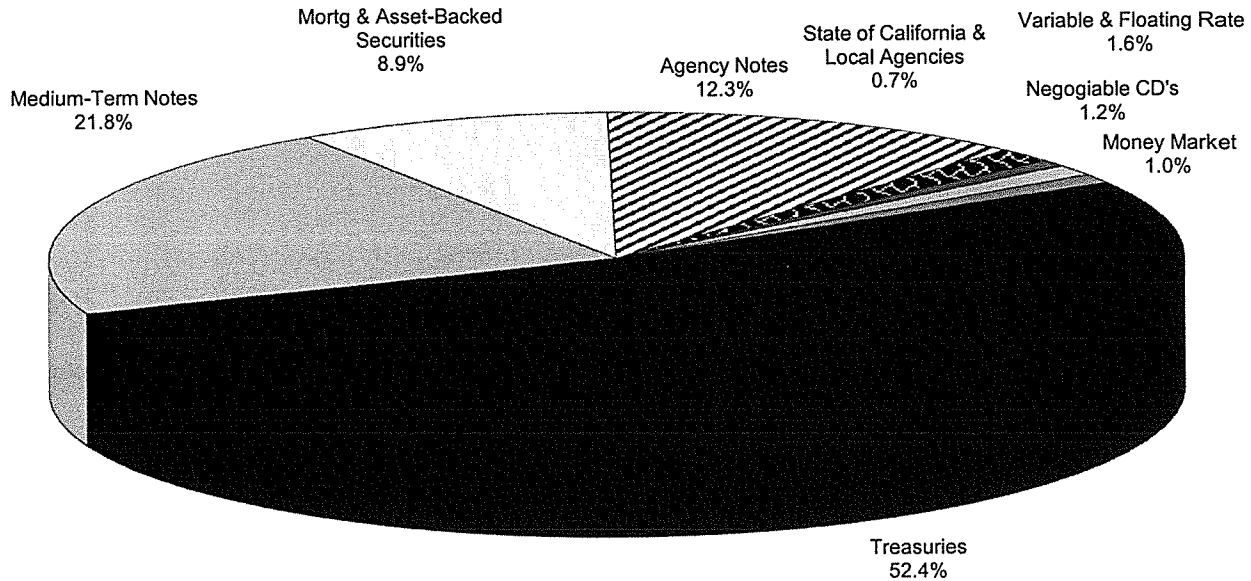


Yield Curve Change From 2/28/17 to 3/31/17			
	2/28/17	3/31/17	Change
1 Year	0.823%	1.019%	0.1960%
2 Year	1.262%	1.256%	-0.0060%
3 Year	1.520%	1.490%	-0.0300%
5 Year	1.930%	1.922%	-0.0080%
30 Year	2.996%	3.010%	0.0140%

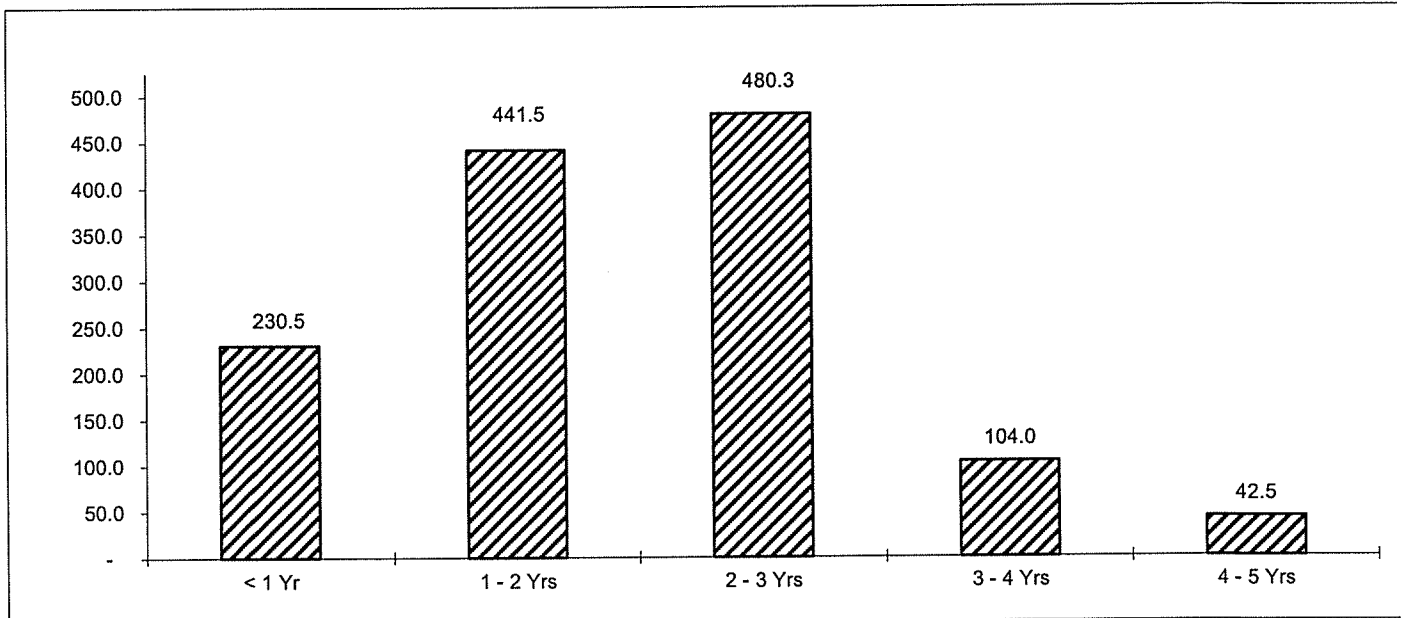
Short-Term Portfolio

As of 3/31/17

Total Portfolio Composition



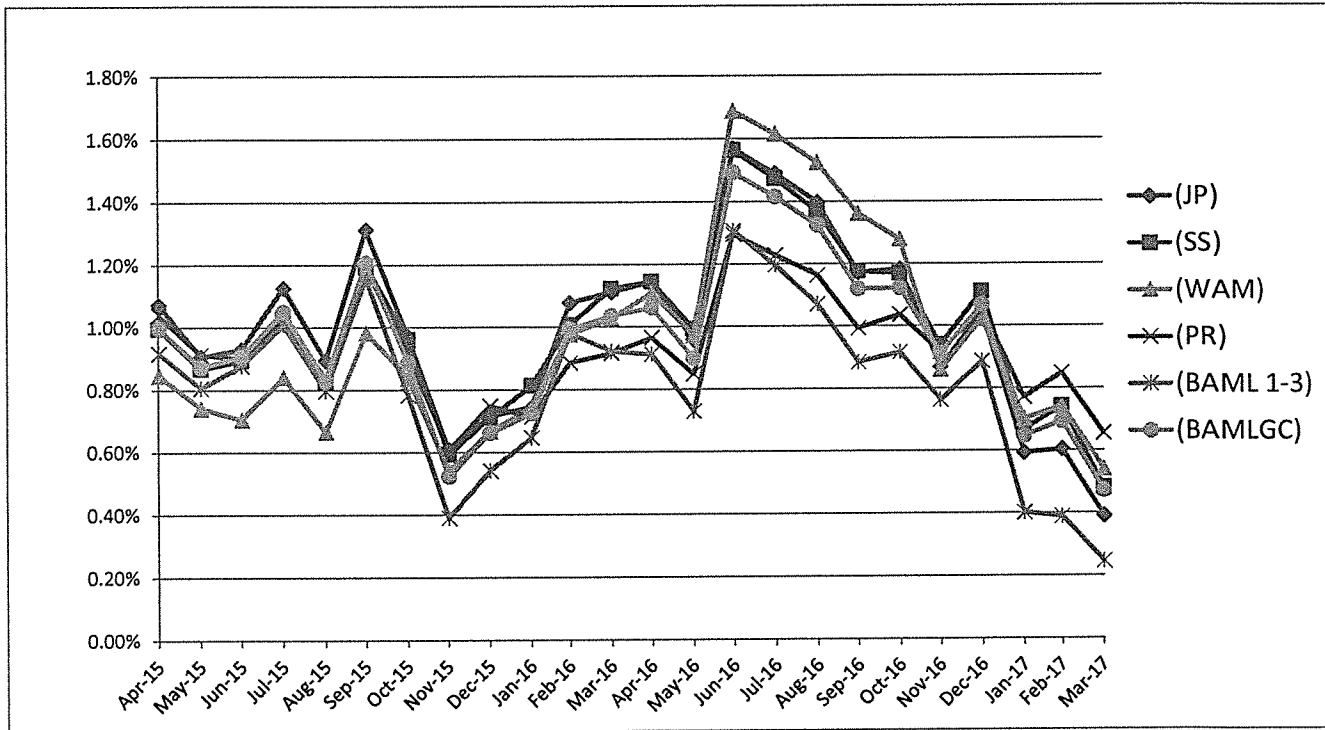
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 3/31/17

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

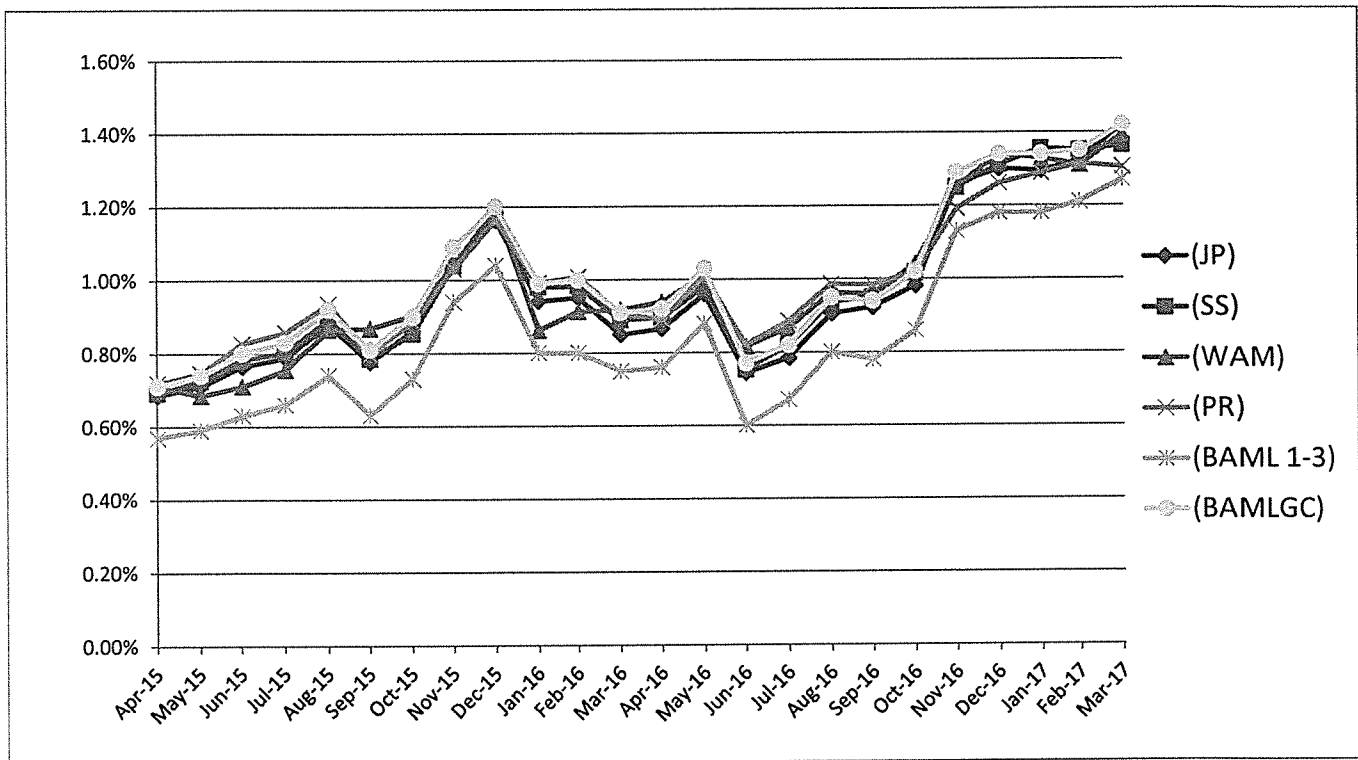


	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden & Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Apr-15	1.07%	1.00%	0.85%	1.04%	0.92%	1.00%
May-15	0.91%	0.87%	0.74%	0.91%	0.81%	0.87%
Jun-15	0.93%	0.89%	0.70%	0.90%	0.88%	0.91%
Jul-15	1.13%	1.03%	0.84%	1.04%	1.01%	1.05%
Aug-15	0.89%	0.83%	0.66%	0.83%	0.80%	0.83%
Sep-15	1.31%	1.20%	0.98%	1.19%	1.16%	1.21%
Oct-15	0.97%	0.96%	0.84%	0.91%	0.78%	0.89%
Nov-15	0.61%	0.59%	0.54%	0.61%	0.39%	0.52%
Dec-15	0.72%	0.71%	0.67%	0.75%	0.54%	0.66%
Jan-16	0.74%	0.81%	0.74%	0.71%	0.65%	0.72%
Feb-16	1.08%	1.01%	0.98%	0.89%	0.98%	0.99%
Mar-16	1.11%	1.12%	1.03%	0.92%	0.92%	1.04%
Apr-16	1.15%	1.14%	1.11%	0.96%	0.91%	1.06%
May-16	0.96%	0.99%	0.97%	0.85%	0.73%	0.90%
Jun-16	1.57%	1.56%	1.69%	1.30%	1.31%	1.49%
Jul-16	1.49%	1.47%	1.62%	1.23%	1.20%	1.42%
Aug-16	1.40%	1.37%	1.52%	1.16%	1.07%	1.32%
Sep-16	1.17%	1.18%	1.36%	0.99%	0.88%	1.12%
Oct-16	1.18%	1.17%	1.28%	1.04%	0.92%	1.12%
Nov-16	0.87%	0.94%	0.86%	0.92%	0.76%	0.91%
Dec-16	1.04%	1.11%	1.02%	1.05%	0.89%	1.07%
Jan-17	0.59%	0.67%	0.70%	0.77%	0.40%	0.65%
Feb-17	0.60%	0.74%	0.74%	0.85%	0.39%	0.69%
Mar-17	0.39%	0.48%	0.54%	0.65%	0.25%	0.47%

Comparative Yield Performance

As of 3/31/17

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



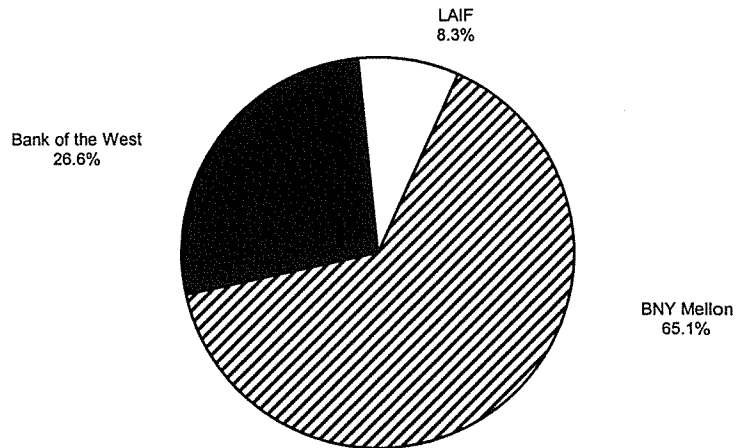
	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Apr-15	0.69%	0.69%	0.71%	0.72%	0.57%	0.71%
May-15	0.71%	0.73%	0.69%	0.75%	0.59%	0.74%
Jun-15	0.77%	0.78%	0.71%	0.83%	0.63%	0.80%
Jul-15	0.79%	0.80%	0.76%	0.86%	0.66%	0.83%
Aug-15	0.88%	0.89%	0.87%	0.94%	0.74%	0.92%
Sep-15	0.78%	0.79%	0.87%	0.80%	0.63%	0.81%
Oct-15	0.86%	0.85%	0.90%	0.89%	0.73%	0.90%
Nov-15	1.04%	1.04%	1.04%	1.03%	0.94%	1.09%
Dec-15	1.16%	1.17%	1.19%	1.16%	1.04%	1.20%
Jan-16	0.94%	0.98%	0.86%	0.99%	0.80%	0.99%
Feb-16	0.95%	0.98%	0.91%	1.01%	0.80%	1.00%
Mar-16	0.85%	0.89%	0.92%	0.91%	0.75%	0.91%
Apr-16	0.87%	0.90%	0.94%	0.89%	0.76%	0.92%
May-16	0.96%	0.98%	1.01%	1.01%	0.88%	1.03%
Jun-16	0.74%	0.75%	0.82%	0.82%	0.60%	0.77%
Jul-16	0.79%	0.82%	0.87%	0.89%	0.67%	0.82%
Aug-16	0.91%	0.94%	0.96%	0.99%	0.80%	0.95%
Sep-16	0.92%	0.95%	0.96%	0.98%	0.78%	0.94%
Oct-16	0.98%	1.02%	1.04%	1.02%	0.86%	1.02%
Nov-16	1.26%	1.25%	1.25%	1.19%	1.13%	1.29%
Dec-16	1.30%	1.31%	1.34%	1.26%	1.18%	1.34%
Jan-17	1.29%	1.36%	1.33%	1.29%	1.18%	1.34%
Feb-17	1.32%	1.35%	1.31%	1.31%	1.21%	1.35%
Mar-17	1.42%	1.36%	1.39%	1.30%	1.27%	1.42%

Liquid Funds Portfolio - \$123.5 M

As of 3/31/17

Other Liquid Funds

Book Value	\$	123,519,728
Market Value	\$	123,519,728



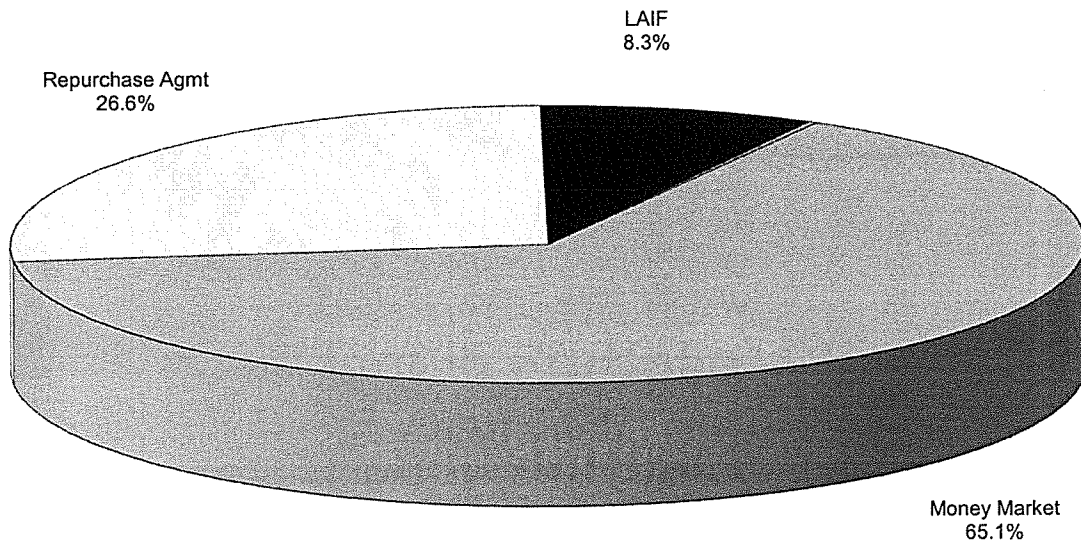
Yield Curve Change From 2/28/17 to 3/31/17			
	<u>2/28/17</u>	<u>3/31/17</u>	<u>Change</u>
1 Month	0.428%	0.728%	0.3000%
3 Month	0.607%	0.754%	0.1470%
6 Month	0.740%	0.899%	0.1590%

Market Value Reported By Custodial Bank

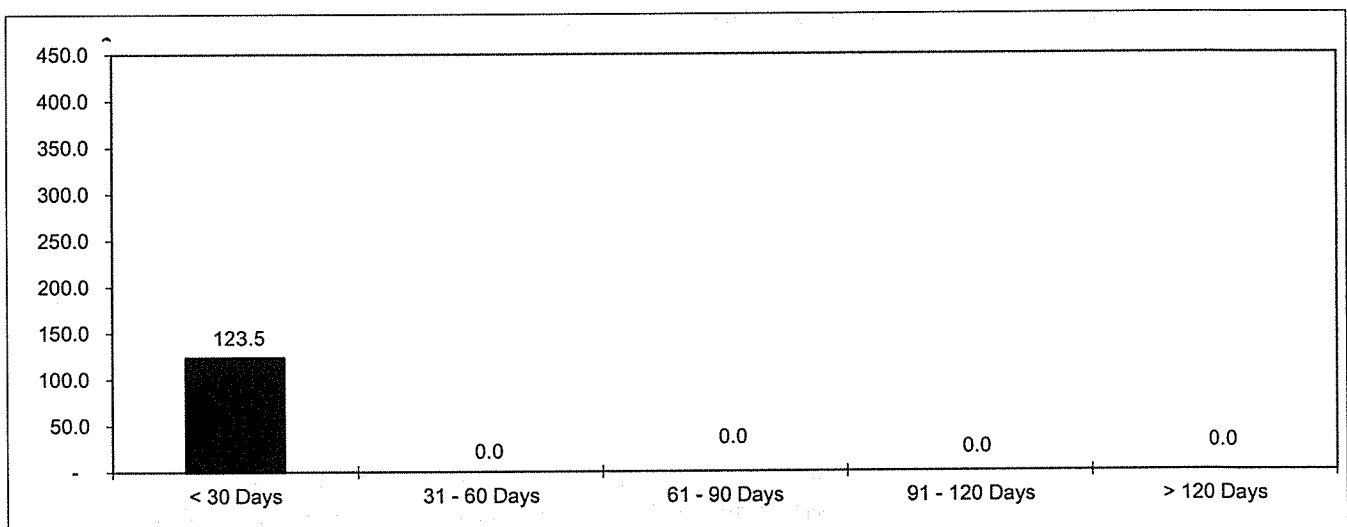
Liquid Portfolio

As of 3/31/17

Total Portfolio Composition



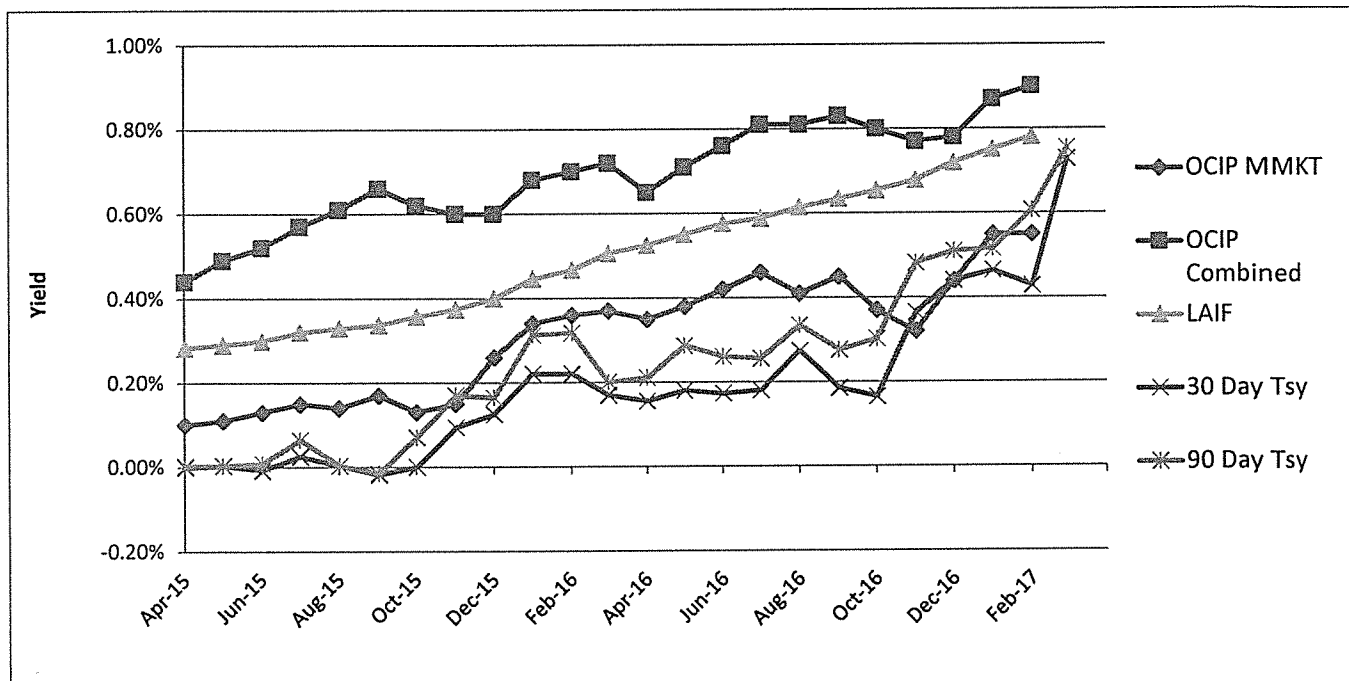
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 3/31/17

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>
Apr-15	0.10%	0.44%	0.28%	0.00%	0.00%
May-15	0.11%	0.49%	0.29%	0.00%	0.00%
Jun-15	0.13%	0.52%	0.30%	-0.01%	0.01%
Jul-15	0.15%	0.57%	0.32%	0.03%	0.06%
Aug-15	0.14%	0.61%	0.33%	0.00%	0.00%
Sep-15	0.17%	0.66%	0.34%	-0.02%	-0.02%
Oct-15	0.13%	0.62%	0.36%	0.00%	0.07%
Nov-15	0.15%	0.60%	0.37%	0.09%	0.17%
Dec-15	0.26%	0.60%	0.40%	0.13%	0.17%
Jan-16	0.34%	0.68%	0.45%	0.22%	0.31%
Feb-16	0.36%	0.70%	0.47%	0.22%	0.32%
Mar-16	0.37%	0.72%	0.51%	0.17%	0.20%
Apr-16	0.35%	0.65%	0.53%	0.16%	0.21%
May-16	0.38%	0.71%	0.55%	0.18%	0.29%
Jun-16	0.42%	0.76%	0.58%	0.17%	0.26%
Jul-16	0.46%	0.81%	0.59%	0.18%	0.26%
Aug-16	0.41%	0.81%	0.61%	0.27%	0.34%
Sep-16	0.45%	0.83%	0.63%	0.19%	0.28%
Oct-16	0.37%	0.80%	0.65%	0.17%	0.30%
Nov-16	0.32%	0.77%	0.68%	0.37%	0.48%
Dec-16	0.44%	0.78%	0.72%	0.44%	0.51%
Jan-17	0.55%	0.87%	0.75%	0.46%	0.52%
Feb-17	0.55%	0.90%	0.78%	0.43%	0.61%
Mar-17	N/A	N/A	N/A	0.73%	0.75%

Investment Policy Compliance

As of 3/31/17

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	680,583,587	47.1%	100%
Federal Agencies & U.S. Government Sponsored *	160,109,402	11.1%	100%
State of California & Local Agencies	9,566,645	0.7%	25%
Money Market Funds & Mutual Funds	93,280,337	6.4%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	15,903,952	1.1%	30%
Commercial Paper	23,860,061	1.6%	25%
Medium Term Maturity Corporate Securities	282,610,695	19.5%	30%
Mortgage and Asset-backed Securities	116,140,798	8.0%	10%
Repurchase Agreements	32,809,427	2.3%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,234,175	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	36,444	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	20,769,038	1.4%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	380,550	0.0%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,446,285,110	100.0%	

* See attached page for a detailed listing of this category

Investment Policy Compliance

As of 3/31/17

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 & U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	44,500,695	3.1%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	62,885,183	4.3%	35%
Federal National Mortgage Association (FNMA)	85,054,421	5.9%	35%
Federal Housing and Urban Development	<u>1,000,000</u>	0.1%	35%
	193,440,299 *	13.4%	

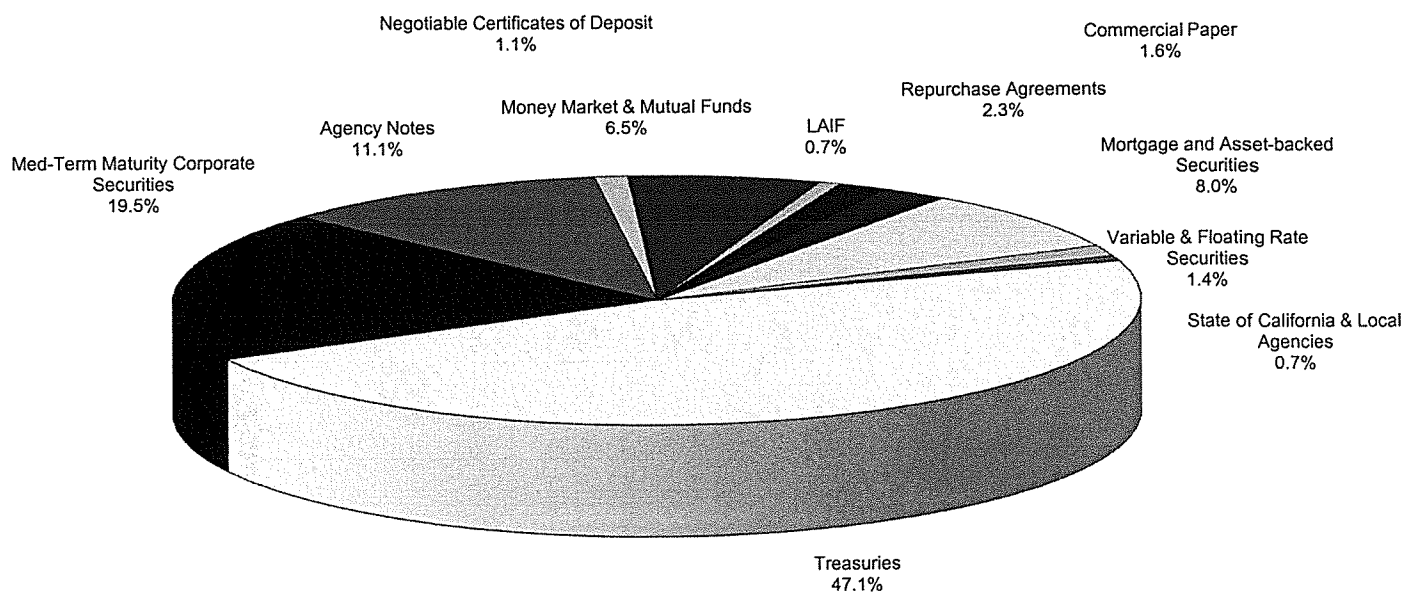
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	124	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	13,134,983	0.9%
Fidelity Treasury Obligations MMF	68,427,200	4.7%
Federated Treasury Obligations Fund	<u>11,718,030</u>	<u>0.8%</u>
	93,280,337	6.4%

Investment Allocation

As of 3/31/17



Negative Credit Watch

As of 3/31/17

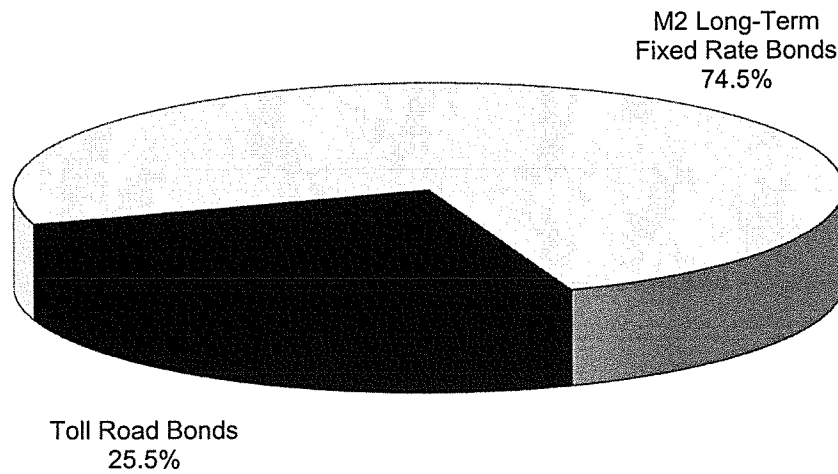
<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
JPM					
<i>McDonalds</i>	250,000	Various	BBB+	Baa1	BBB+
Removed from negative credit watch, but no longer within Investment Policy guidelines.					
<i>Bayer US Financial</i>	200,000	10/8/2019	A-	A3	NA
During May 2016, Standard & Poor's and Moody's placed the long-term ratings of Bayer Financial under review for possible downgrade.					
<i>Georgia Power Company</i>	150,000	6/1/2017	A3	A-	A+
During March, Fitch placed the long-term ratings of Georgia Power Co. under review for possible downgrade.					
Payden & Rygel					
<i>Qualcom</i>	915,000	5/18/2018	A+	A1	NR
During October 2016, Standard and Poor's and Moody's placed the long-term ratings of Qualcom under review for possible downgrade.					
Western Asset					
<i>Qualcom</i>	1,250,000	Various	A+	A1	NR
During October 2016, Standard and Poor's and Moody's placed the long-term ratings of Qualcom under review for possible downgrade.					

DEBT PROGRAM

Total Outstanding Debt

As of 3/31/17

Outstanding Debt



TOTAL OUTSTANDING DEBT: \$427,140,000

Outstanding Debt

As of 3/31/17

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 2017:		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 2017:		8,912,100
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings	Aa2/AA+/AA+	
Final Maturity		2020

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		109,130,000
Debt Service FY 2017:		10,798,525
Pledged Revenue Source:	Toll Road Revenues	
Underlying Ratings	A1/AA-/A	
Final Maturity		2030



April 26, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Third Quarter Fiscal Year 2016-17 Procurement Status Report

Overview

The third quarter procurement status report summarizes the procurement activity for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from January 1 through March 31, 2017, that was approved by the Board of Directors during this period. The third quarter procurement status report also projects future procurement activity for the fourth quarter as identified in the fiscal year 2016-17 budget.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority Fiscal Year (FY) 2016-17 Budget, which identifies the goods and services that will be purchased during the FY. A quarterly procurement report has been prepared detailing the procurement activity for line items that were approved by the Board during the third quarter of FY 2016-17. The report also provides a “look-ahead” of upcoming procurement activity by Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

Discussion

During the third quarter of FY 2016-17, the Contracts Administration and Materials Management Department handled 430 different contractual documents. Of the total, 311 procurements, valued at \$ 1,325,750,036, were completed; the remaining procurements will be executed during the fourth quarter of FY 2016-17.

In the third quarter, the Board took action on 22 procurements. The procurements were split between six new agreements valued at \$2,173,540, four amendments valued at \$1,830,076, six cooperative agreements valued at \$21,655,596, one amendment to cooperative agreements valued at \$431,308, one purchase order valued at \$500,000, three sole sources valued at \$5,622,732, and one option term valued at \$2,113,600. Not all procurements are completed within the quarter in which they begin. Often, the procurements require cost and price reviews and negotiations which can lengthen the procurement process. Procurements not completed within the third quarter will be completed in the fourth quarter of FY 2016-17. Attachment A shows a list of Board-approved procurements during the third quarter.

Looking forward to the fourth quarter of FY 2016-17 (April through June, 2017), the Board committees will be asked to take action on several items such as:

- Consultant selection for on-call general auditing services;
- Award a sole source agreement with New Flyer Corporation for the purchase of ten hydrogen buses;
- Cooperative Agreement with the California Department of Transportation for the State Route 55 Improvement Project between the Interstate 405 and Interstate 5;
- Amendment to Cooperative Agreement with the County of Orange for transit police services; and
- Consultant selection for the public awareness campaign services for the OC Streetcar.

The estimated value of these upcoming procurements is \$195,299,945. Attachments B through E identify procurement activity anticipated in the fourth quarter of FY 2016-17 by the committee that will review the items.

Summary

This report provides an update of the procurement activity for the third quarter of FY 2016-17, January through March 2017, as well as a look-ahead at anticipated procurement activity for the fourth quarter of FY 2016-17. Staff recommends that this report be received and filed as an information item.

Attachments

- A. Board-Approved Contracts – Third Quarter FY 2016-2017
- B. Regional Planning and Highways Committee – Fourth Quarter Outlook
(April 1, 2017 – June 30, 2017)
- C. Transit Committee – Fourth Quarter Outlook
(April 1, 2017 – June 30, 2017)
- D. Finance and Administration Committee - Fourth Quarter Outlook
(April 1, 2017 – June 30, 2017)
- E. Legislative and Communications Committee - Fourth Quarter Outlook
(April 1, 2017 – June 30, 2017)

Prepared by:



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

Approved by:



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

AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
IBI Group	6-1417	Orange County Active Transportation Plan	2/14/2017	7/31/2018	\$350,000
Western Air Conditioning Company, Inc.	6-1399	Replacement of Heating and Ventilation Units at Garden Grove Bus Base Maintenance Building Shop	4/15/2017	5/31/2017	290,000
Ankura Consulting Group, LLC	6-1489	Cyber Security Assessment Services for OCTA's Industrial Control Systems and Related Networks	4/10/2017	3/31/2018	300,000
Clearwater Analytics, LLC	6-1547	Treasury Management Software System	4/1/2017	3/31/2022	588,306
Pest Options, Inc.	6-1504	Pacific Electric Right of Way Weed Abatement and Debris Removal Services	7/1/2017	6/30/2022	215,831
Kai Krishnan Consulting Services, Inc.	6-1537	Quality Assurance Management Support for the OC Streetcar Project	4/5/2017	12/31/2020	429,403
TOTAL NUMBER OF CONTRACTS					6
TOTAL DOLLAR VALUE					\$2,173,540

AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Four Nines Technologies	2-2095	Amendment No. 4 for Additional Consulting Services Needed for the Open Payment Fare Collection System	3/27/2017	12/31/2017	\$50,000
Riverside County Transportation Commission	3-1529	Amendment No. 2 for Inclusion of the Joint Software License, Software Maintenance and Escrow Agreements.	4/1/2017	6/30/2021	-
Riverside County Transportation Commission	3-1529	Amendment No. 3 for Maintenance and Support Services for the 91 Express Lanes Electronic Toll and Traffic Management Systems.	4/1/2017	6/30/2021	1,302,562
Michael Baker International, Inc.	3-1701	Amendment No. 5 for Additional Environmental Phase Services for the SR 91 Widening Project Between SR 57 and SR 55.	5/1/2017	7/31/2012	477,514
TOTAL NUMBER OF AMENDMENTS					4
TOTAL DOLLAR VALUE					\$1,830,076

COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Southern California Regional Rail Authority	6-1615	Tail Signals, Communications and Wayside Positive Train Control Installations and Modifications for the Laguna Niguel to San Juan Capistrano Passing Siding Project	5/1/2017	12/31/2020	\$5,507,000
City of Santa Ana	6-1433	Use of Public Right of Way for Construction, Operations and Maintenance of the OC Streetcar Project	3/17/2017	3/17/2067	-
Center for Transportation and the Environment (CTE)	7-1538	Purchase of Ten Hydrogen Fuel Cell Electric Buses, Construction of a Liquid Hydrogen Station and Modification of Maintenance Facilities	4/24/2017	3/31/2020	13,241,092
California Department of Transportation	7-1561	I-5 Plant Establishment Project Between Avenida Pico and San Juan Creek Road	7/1/2012	6/30/2020	1,320,000

Board-Approved Contracts - Third Quarter FY 2016-2017

City of Santa Ana	6-1516	Construction Inspection Support, Design Change Reviews and Project Coordination for the OC Streetcar Project	5/1/2017	12/20/2021	1,500,000
City of Garden Grove	7-1556	Construction Inspection Support, Design Change Reviews and Project Coordination for the OC Streetcar Project	5/1/2017	12/20/2021	87,504
TOTAL NUMBER OF CONTRACTS					6
TOTAL DOLLAR VALUE					\$21,655,596

COOPERATIVE AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Riverside County Transportation Commission	5-3828	Amendment No. 2 for Reimbursement of Shared Operational Expenses	4/1/2017	6/30/2018	\$431,308
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$431,308

PURCHASE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Marsh Risk and Insurance Services	A36602	91 Express Lanes Property Insurance	3/1/2017	3/1/2018	\$500,000
TOTAL NUMBER OF CONTRACTS					1
TOTAL DOLLAR VALUE					\$500,000

SOLE SOURCE

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Linde LLC	7-1577	Construction of a Liquid Hydrogen Fuel Station	4/24/2017	12/31/2018	\$4,777,732
Cummins Pacific, LLC	6-1605	Warranty and Non-Warranty Cummins Engine Services	3/14/2017	4/30/2022	750,000
Xerox Corporation	A37076	Printing Costs, Equipment Repair and Maintenance of the Xerox 800 Color Press	5/1/2017	6/30/2017	95,000
TOTAL NUMBER OF SOLE SOURCE					3
TOTAL DOLLAR VALUE					\$5,622,732

OPTION YEARS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Alta Resources	3-1895	Exercise First Option Term for Call Center Services	6/30/2017	6/30/2019	\$2,113,600
TOTAL NUMBER OF AMENDMENTS					1
TOTAL DOLLAR VALUE					\$2,113,600

REGIONAL PLANNING and HIGHWAYS COMMITTEE - Fourth Quarter Outlook (April 1, 2017 - June 30, 2017)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 3, 2017	Sole Source Agreement for Freeway Service Patrol Data Collection and Tracking Software Development	\$250,000	Transit
	Consultant Selection for Regional Modeling -Traffic Operations On-Call Support Staffing	\$400,000	Planning
	Agreement with the Center for Demographic Research at California State University at Fullerton	\$282,006	Planning
<hr/>			
May 1, 2017	No procurement actions on this agenda		
<hr/>			
June 5, 2017	Cooperative Agreement with the California Department of Transportation for the State Route 55 Improvement Project between Interstate 405 and Interstate 5	\$2,000,000	Capital Programs

TRANSIT COMMITTEE - Fourth Quarter Outlook (April 1, 2017 - June 30, 2017)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 13, 2017	Amended and Restated Cooperative Agreement with the City of Santa Ana for the Santa Ana Regional Transportation Center Station Agreement and OC Streetcar	\$0	Capital Programs
	Agreement with Complete Coach Works, Inc. to purchase engine installation kits	\$3,019,616	Transit
<hr/>			
April 27, 2017	Agreement with CHI Construction for bus parking wheel stops and fence repair at the Anaheim Bus Base	\$67,425	Capital Programs
	Agreement with Clean Energy, Inc. for hydrogen gas detection upgrades and ventilation system modifications at the Santa Ana Bus Base	\$80,405	Capital Programs
	Amendment to Cooperative Agreement with the Regional Center of Orange County	\$5,866,020 (revenue)	Transit
	Amendments to Cooperative Agreements with Adult Day Care Agencies	\$10,769,128	Transit

TRANSIT COMMITTEE -Fourth Quarter Outlook (April 1, 2017 - June 30, 2017)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
May 11, 2017	Amendment to Agreement with MV Transportation, Inc. to exercise the option term for the provision of ACCESS Service	\$140,000,000	Transit
	Consultant Selection to provide Vanpool Services	\$14,400,000	Government Relations
	Sole Source Agreement with New Flyer to purchase ten hydrogen fuel cell buses	\$13,338,000	Transit
	Consultant Selection for Coach Operator Uniforms	\$821,852	Transit
	Amendment to Cooperative Agreement with the County of Orange for Transit Police Services	\$7,600,301	Chief Executive Office
<hr/>			
June 8, 2017	Agreement for pavement striping and markings at the Garden Grove Bus Base	\$69,500	Capital Programs

FINANCE AND ADMINISTRATION COMMITTEE - Fourth Quarter Outlook (April 1, 2017 - June 30, 2017)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 12, 2017	Meeting cancelled		
April 26, 2017	No procurement actions on this agenda		
May 10, 2017	Consultant Selection for On-Call General Auditing Services	\$450,000	Internal Audit
	Consultant Selection for Insurance Broker Services	\$600,000	Human Resources and Organizational Development
May 24, 2017	No procurement actions on this agenda		
June 14, 2017	No procurement actions on this agenda		
June 28, 2017	No procurement actions on this agenda		

LEGISLATIVE AND COMMUNICATIONS COMMITTEE - Fourth Quarter Outlook (April 1, 2017 - June 30, 2017)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
April 20, 2017	Consultant Selection for Public Awareness Campaign Services for the OC Streetcar Project	\$1,151,712	Government Relations
May 18, 2017	No procurement actions on this agenda		
June 15, 2017	No procurement actions on this agenda		



April 26, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Fiscal Year 2017-18
Budget Workshop Preview

Overview

The Orange County Transportation Authority is developing the fiscal year 2017-18 budget, which identifies available revenues and the costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in a two-hour informal workshop following the May 8, 2017, Orange County Transportation Authority Board of Directors' meeting.

Recommendation

Review the fiscal year 2017-18 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors' meeting on May 8, 2017.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2016 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). The service plan and program goals and objectives were developed in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January, which were subject to successive internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Executive Director of Finance and Administration, and Executive Director of Human Resources & Organizational Development to ensure a balanced and fiscally responsible budget is delivered consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next 10 Plan.

The development of the FY 2017-18 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration (F&A) Committee on March 22, 2017. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), bus operations, rail, Motorist Services, and the 91 Express Lanes. Subsequent to review of the guiding principles and assumptions by the F&A Committee, Transportation Senate Bill 1 (SB-1) was approved by the State of California and is incorporated in the proposed budget.

It is estimated that state-wide SB 1 will provide \$52 billion for transportation purposes over the next ten years, with investments targeted towards fix-it-first purposes on local streets and roads and highways, transit operations and maintenance, capital investments, and active transportation. There is no sunset on the revenue sources included in the bill, and with many of the taxes and fees to be indexed for inflation, the funding source may grow in later years. Specifically, for the bus program, \$18 million in new transit funding per year for Orange County, with approximately \$13 million eligible for transit capital and/or operations purposes, and over \$5 million annually for capital purposes.

In FY 2017-18, the growth rate for the M2 Program is forecasted to be 3.3 percent, and the growth rate for the ¼ cent Local Transportation Fund sales tax is forecasted to be 2.4 percent, based on the Board-approved sales tax methodology.

The FY 2017-18 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior fiscal years to be utilized in the current fiscal year. The uses of these funds are planned and do not represent a utilization of funds as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current fiscal year to be used in a future fiscal year.

The combination of estimated revenues and planned use of reserves produces available funding of \$1,289.2 million, while proposed expenditures and designations yield a total use of funds of \$1,289.2 million. On a year-over-year comparison to the approved FY 2016-17 budget, the FY 2017-18 proposed budget is 11 percent, or \$127.7 million, higher than the FY 2016-17 budget. The increase is driven by capital expenditures anticipated for freeway and transit projects funded by M2. Capital expenditures for the transit extensions to Metrolink Program are larger primarily due to anticipated expenditures for the OC Streetcar Project (\$239.9M). Capital expenditures for the freeways program

are larger primarily due to anticipated expenditures for the I-405 Improvement Project (\$90.3M).

Service levels are proposed to remain the same as the current FY for fixed-route service at 1.6 million revenue hours. The proposed budget continues to include fixed-route service at 60 percent directly-operated and 40 percent of the service delivered by OCTA's contracted service provider. Efforts to increase ridership will continue with OC Bus 360°, and no fare increase is included in the budget.

Staff will be presenting the FY 2017-18 budget in detail in an informal workshop setting on May 8, 2017. The presentation will include a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2017, Board meeting, after which staff anticipates seeking Board approval of the budget.

Summary

Staff will conduct a budget workshop for the OCTA Board immediately following the Directors' Reports scheduled at the May 8, 2017, Board meeting. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2017, Board meeting, after which staff anticipates seeking Board approval of the budget.

Attachment

A. Fiscal Year 2017-18 Budget Workshop Preview

Prepared by:



Victor Velasquez
Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:



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

Orange County Transportation Authority Fiscal Year 2017-18 Budget Workshop Preview

ATTACHMENT A

Budget Themes



- Budget in accordance with the Chair and CEO goals
- Sales tax revenue assumption consistent with Board-approved sales tax forecasting methodology
- Incorporate impacts of transportation Senate Bill 1 (SB-1)
- Budget in accordance with the objectives of Next 10 Plan
- Bus Program budget is consistent with objectives of OC Bus 360°
- OCTAP model is unsustainable
- Budget is balanced

Budget Initiatives & Challenges



Initiatives

- Measure M2
 - Continued funding for project delivery of the freeway, streets and roads, and transit modes
 - Major Capital projects include
 - OC Streetcar
 - 405 Improvement Project
 - I-5 Improvement Project
 - SR-55 Improvement Project
- Bus Program
 - OC Bus 360° is ongoing
 - Bus system productivity improvements

Challenges

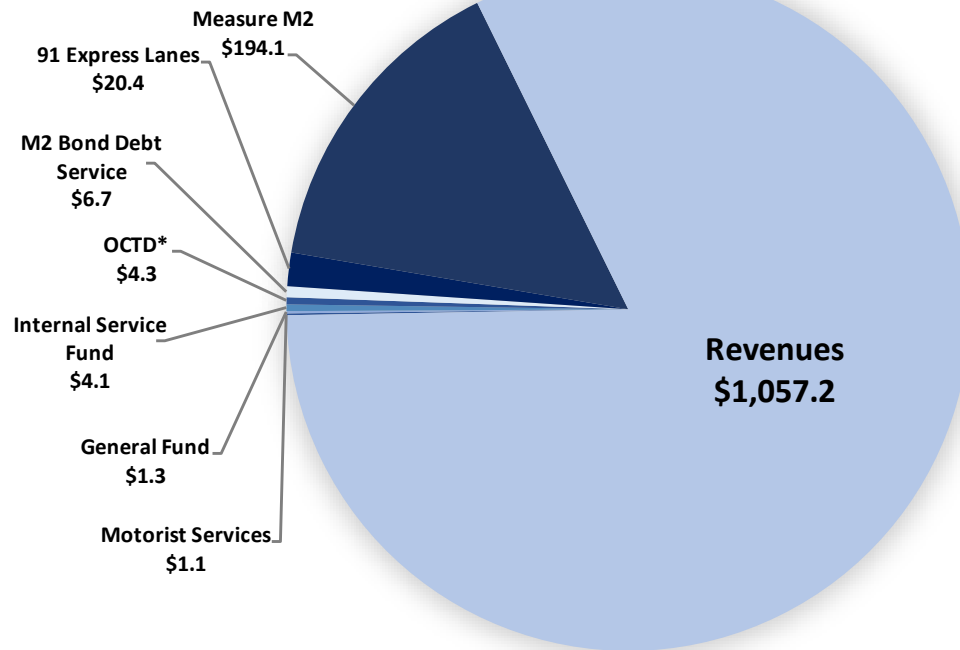
- Measure M2
 - External funding uncertainties
 - Continued pressure on costs
 - LTA not meeting projections
- Bus Program
 - \$20 million funding gap erased by the impacts of SB-1
 - Assumes current ridership trends and a corresponding decrease in fare revenues
 - LTF not meeting projections

Budget Overview



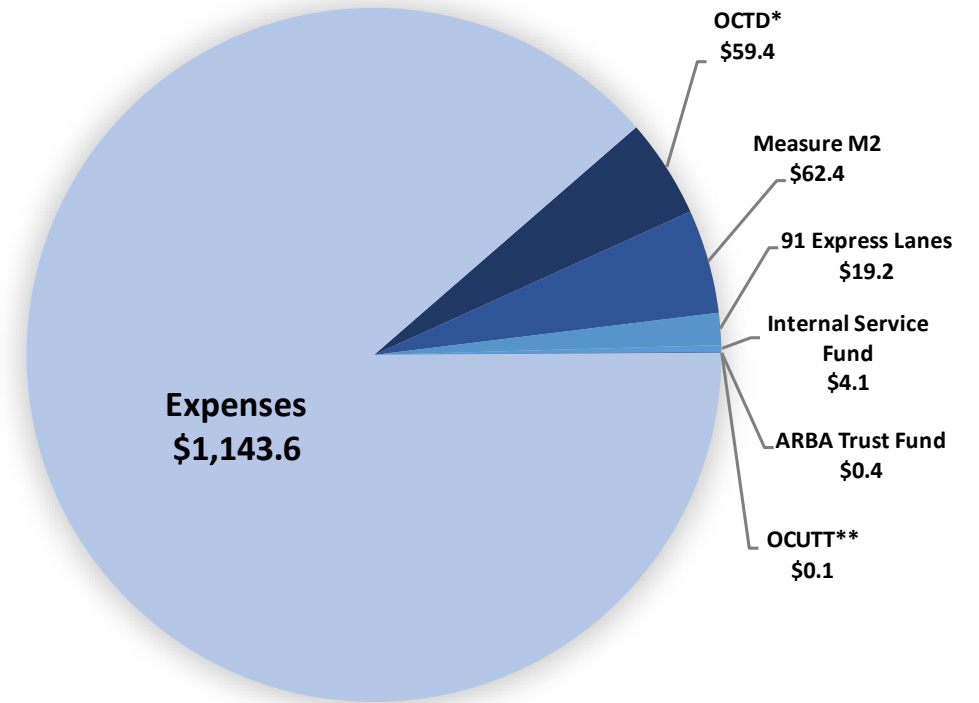
Source of Funds \$1,289.2 million

Use of Prior Year
Designations
\$232.0 million



Use of Funds \$1,289.2 million

Designations
\$145.6 million



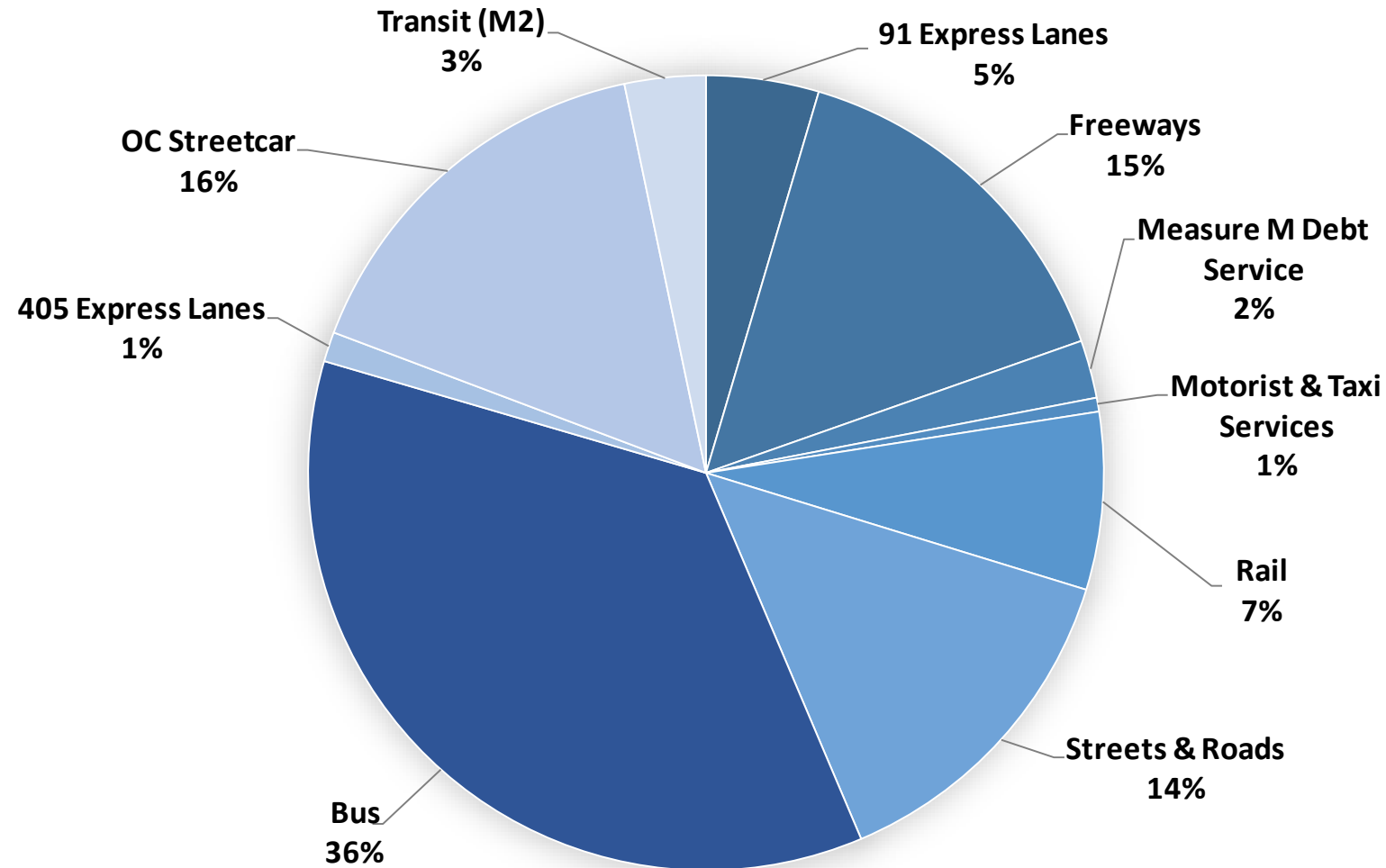
*Orange County Transit District
**Orange County Unified Transportation Trust

Budget Sources & Uses



In Millions	FY 2016-17	FY 2017-18	Change	
Sources	Approved Budget	Proposed Budget	\$	%
Revenues	\$ 972.2	\$ 1,057.2	\$ 85.0	8.7%
Use of Prior Year Designations	189.3	232.0	42.7	22.6%
Total Revenue / Use of Designations	\$ 1,161.5	\$ 1,289.2	\$ 127.7	11.0%
Uses				
Salaries and Benefits	\$ 157.1	\$ 158.8	\$ 1.7	1.1%
LOSSAN Salaries and Benefits	1.5	1.4	(0.1)	-6.7%
Services and Supplies	330.9	306.8	(24.1)	-7.3%
Contributions to Other Agencies	203.4	185.9	(17.5)	-8.6%
Interest/Debt Service	34.3	34.6	0.3	0.9%
Capital	365.5	456.1	90.6	24.8%
Designations	68.8	145.6	76.8	111.6%
Total Expenditures / Designations	\$ 1,161.5	\$ 1,289.2	\$ 127.7	11.0%

Total Budget by Program



Staffing Levels



OCTA Staffing	FY 2016-17 FTE	FY 2017-18 FTE	FY 2017-18 New Hires	FY 2017-18 Reductions	Difference
Administrative	489.5	486.5	1.0	(4.0)	(3.0)
Union	888.0	851.0	-	(37.0)	(37.0)
Coach Operators	680.0	643.0	-	(37.0)	(37.0)
Maintenance	171.0	171.0	-	-	-
Facility Technicians and Parts Clerks	37.0	37.0	-	-	-
OCTA Positions	1,377.5	1,337.5	1.0	(41.0)	(40.0)
LOSSAN	9.0	9.0			-
Total Authority Positions	1,386.5	1,346.5	1.0	(41.0)	(40.0)

Next Steps



- Budget Workshop Presentation – Board May 8
- Committee meetings and One-on-One meetings with Board Members May 9 - June 9
- Public Hearing Preview – Finance and Administration Committee May 24
- Public Hearing – Board (public hearing and approval) June 12
- Back-up Public Hearing – Board (public hearing and approval) June 26