

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, March 22, 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 Spitzer

1. Public Comments

Special Calendar

There are 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

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



Finance and Administration Committee Meeting

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

Overview

Vavrinek, Trine, Day & Company, LLP, an independent accounting firm, has completed agreed-upon procedures related to Measure M2 Senior Non-Emergency Medical Transportation Program funds provided to the County of Orange, Local Fair Share funds provided to nine cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2016. 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.

Recommendations

- 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.
- 4. Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507
 Gerald Dunning/Janet Sutter

Overview

The Internal Audit Department has completed an audit of Policies and Procedures. Based on the audit, the Orange County Transportation Authority Policies and Procedures are approved as required; however, recommendations were made to enhance controls to ensure timely updates and communications of new and revised policies and procedures, as well as improved tracking of policies and procedures.



Finance and Administration Committee Meeting

4. (Continued)

Recommendation

Direct staff to implement three recommendations provided in Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507.

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

Overview

The Orange County Transportation Authority's print shop utilizes Xerox manufactured equipment to complete the majority of print requirements for various departments within the organization. Due to the increase in print volume, a new sole source purchase order is required in order to accommodate the increased usage of the Xerox 800 color press through the end of fiscal year 2016-17.

Recommendation

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.

6. Orange County Transportation Authority Investment and Debt Programs Report - February 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 February 28, 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.



Finance and Administration Committee Meeting

7. Local Transportation Fund Claims for Fiscal Year 2017-18 Rene Vega/Andrew Oftelie

Overview

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

Recommendation

Adopt Orange County 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.

8. Amendments to the 91 Express Lanes Three-Party Operating Agreement and Facility Agreement
Kirk Avila/Andrew Oftelie

Overview

The Riverside County Transportation Commission anticipates opening the 91 Express Lanes extension in spring of 2017. As the opening date approaches, a number of agreements need to be amended to account for the joint operations. Among the effected agreements are the three-party operating agreement between the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., as well as the Riverside County Transportation Commission / Orange County Transportation Authority Facility Agreement.

Recommendations

A. Authorize the Chief Executive Officer to negotiate and 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.



Finance and Administration Committee Meeting

8. (Continued)

- B. Authorize the Chief Executive Officer to negotiate and 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 negotiate and execute Amendment No. 2 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.

9. Security and Privacy Liability Insurance Coverage Al Gorski/Maggie McJilton

Overview

The Orange County Transportation Authority currently has security and privacy liability insurance policies with National Union Fire Insurance Company of Pennsylvania and Chubb North American Commercial Insurance Company. These policies are renewed annually on the first of November.

Recommendation

Receive and file as an information item.

Regular Calendar

10. Update on the Day Pass Promotion

Sean Murdock/Andrew Oftelie

Overview

The Board of Directors approved a six-month promotional reduction in the price of the day pass in order to support ongoing efforts to improve ridership on the fixed-route bus system. As the six months nears an end, staff has evaluated the initiative and determined it has not met its objective of attracting new riders and it also has resulted in significant impacts on fare revenue. It is recommended that the promotion be discontinued at the end of the promotional period on April 9, 2017.



Finance and Administration Committee Meeting

10. (Continued)

Recommendation

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.

Discussion Items

11. Review of Policy on Unsolicited Proposals

Virginia Abadessa/Andrew Oftelie

The Orange County Transportation Authority has a procurement policy in place which allows staff to accept unsolicited proposals from entities interested in offering unique or innovative products or services. Staff is interested in re-introducing this procurement method by engaging in outreach efforts to inform the business community and encourage submittals that advance Orange County Transportation Authority's goals and objectives.

12. Delivering Transportation Solutions in a Changing MarketDarrell Johnson

Since 2013, financial and market forces have combined to present numerous challenges to the Orange County Transportation Authority in successfully delivering on the agency's mission, including the core functions of implementing the Measure M2 Program and operating an effective, efficient, and affordable bus system. Bus ridership has steadily declined and the public's transit needs have shifted, while sales tax receipts continue to come Despite these factors, the Orange County in lower than expected. Transportation Authority has been able to realign the Measure M2 Program so that all promises will be kept, and steps have been taken to reduce costs and realign bus service with demand to better meet the needs of customers, avoid service reductions, and fare increases. This report details the major actions undertaken to keep all Orange County Transportation Authority programs on track in a financially constrained environment and changing market and identifies several upcoming challenges. These issues will need to be addressed in the development of the Long-Range Transportation Plan this year and will need to be incorporated into the annual budget and 20-year Comprehensive Business Plan.



Finance and Administration Committee Meeting

13. Fiscal Year 2017 - 18 Budget Assumptions

Victor Velasquez/Andrew Oftelie

Staff is in the process of developing the fiscal year 2017-18 annual budget. Staff will be presenting revenue and expenditure assumptions for the committee's consideration.

14. Chief Executive Officer's Report

15. Committee Members' Reports

16. Closed Session

A Closed Session will be held as follows:

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

17. Adjournment

The next regularly scheduled meeting of this Committee 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.



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

Andrew Do, Chairman Steve Jones, Vice Chairman Michael Hennessey Miguel Pulido Michelle Steel

Committee Members Absent

Richard Murphy Todd Spitzer

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

Call to Order

Pledge of Allegiance

Director Hennessey

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 10)

2. Approval of Minutes

A motion was made by Director Steel, seconded by Director Hennessey, and declared passed by those present, to approve minutes of the February 8, 2017 meeting.

Director Pulido was not present to vote on this item.

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Finance and Administration Committee Meeting

3. Budget Development, Monitoring, and Reporting, Internal Audit Report No.16-509

This item was pulled by Committee Chairman Do, who inquired on the follow-up process on the staff recommendations for this audit report.

Janet Sutter, Executive Director of Internal Audit, explained the quarterly update to the internal audit plan report process.

A motion was made by Director Do, seconded by Director Jones, and declared passed by those present, to direct staff to implement four recommendations provided in Budget Development, Monitoring, and Reporting, Internal Audit Report No. 16-509.

4. Local Agency Investment Fund - January 2017

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

Director Pulido was not present to vote on this item.

5. Orange County Treasurer's Management Report - January 2017

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

Director Pulido was not present to vote on this item.

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

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

Director Pulido was not present to vote on this item.

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Finance and Administration Committee Meeting



7. Approval of Local Transportation Fund Fiscal Year 2017-18 **Apportionment Estimates**

A motion was made by Director Steel, seconded by Director Hennessey, and declared passed by those present, to approve the Local Transportation Fund Fiscal Year 2017-18 apportionment estimates and authorize Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.

Director Pulido was not present to vote on this item.

8. Fiscal Year 2016-17 Second Quarter Grant Reimbursement Status Report

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

Director Pulido was not present to vote on this item.

9. Agreement for Cyber Security Assessment

This item was pulled by Committee Chairman Do, who inquired on the in-house capability to evaluate the firms qualifications.

Bill Mao, Chief Information Officer of Information Systems, provided an overview and introduced Mike Bosche, Senior Information Systems Security Analyst, who provided the qualifications of the four in-house staff on the selection panel.

Committee Chairman Do suggested in future evaluations that staff bring in a consultant as part of the evaluation process to supplement the in-house expertise.

A motion was made by Director Do, seconded by Director Hennessey, and declared passed by those present to:

Α. Approve the selection of Ankura Consulting Group, LLC, as the firm to provide cyber security assessment services for the Orange County Transportation Authority's industrial control systems and related networks.

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9. (Continued)

B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-6-1489 between the Orange County Transportation Authority and Ankura Consulting Group, LLC, in the amount of \$300,000, to provide cyber security assessment services for the Orange County Transportation Authority's industrial control systems and related networks for a one-year term.

10. Agreement for Treasury Management Software System

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

- A. Approve the selection of Clearwater Analytics, LLC, as the firm to provide a treasury management software system.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-6-1547 between the Orange County Transportation Authority and Clearwater Analytics, LLC, in the amount of \$588,306, for a five-year term, effective April 1, 2017 through March 31, 2022, to provide a treasury management software system.

Director Pulido was not present to vote on this item.

Regular Calendar

11. Fiscal Year 2016-17 Second Quarter Budget Status Report

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

- The Measure M2 program experienced year-over-year growth of 1.93 percent and 1.30 percent for the Transit Program.
- The actual amount of sales tax recipients for the second quarter will not be finalized until mid-March when staff receives the second quarter "true up" payment.
- Fare revenue underran by \$1.0 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.2 percent. Although operating revenues are underrunning, Transit Program operating expenditures are also underrunning by \$5.3 million.

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11. (Continued)

Following the discussion, no action was taken on this receive and file information item.

Discussion Items

12. Chief Executive Officer's Report

Ken Phipps, Deputy Chief Executive Officer (DCEO), who reported on the following:

- Chief Executive Officer (CEO), Darrell Johnson, is traveling on business.
- Mr. Phipps, DCEO, provided opening comments and introduced Andrew Oftelie, Executive Director of Finance and Administration who provided an update on the New York meetings as follows:
 - On March 7th, James Donich, General Counsel, CEO Johnson, Kirk Avila and he traveled to New York to meet with the rating agencies and present information about the I-405 Improvement Project Investment Grade Transportation Infrastructure Finance and Innovation Act (TIFIA) loan status.
- The Riverside County Transportation Commission is hosting a grand opening event for the 91 Express Lanes in Riverside County on Friday, March 31st at 11:00 a.m. at the North Main Corona Metrolink Station.
- There are a number of public committee recruitments underway. Staff is accepting applications for the Taxpayer Oversight Committee now through May 1. There are also vacancies on the Citizens Advisory Committee and Special Needs Advisory Committee. Applications for these committees are due by April 10.
- The Taxpayer Oversight Committee will conduct its 26th Annual Measure M Public Hearing on Tuesday, April 11th at 6:00 p.m. at the OCTA Headquarters. The purpose of the public hearing is to consider whether OCTA is proceeding in accordance with the Transportation Investment Plan in Measure M2.

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Finance and Administration Committee Meeting

13. Committee Members' Reports

Committee Chairman Do inquired on holding a workshop for Board Members on the upcoming budget.

Andrew Oftelie, Executive Director of Finance and Administration, responded that in the past, staff has brought forward the assumptions to the Board and will be bringing Budget Assumptions to this Committee in late April, before the Board reviews the budget.

Mr. Phipps, DCEO, stated a workshop for all Board Members will be held the first week in May.

14. Closed Session

There were no Closed Session items scheduled.

15. Adjournment

The meeting adjourned at 10:56 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, March 22, 2017,** at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

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March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director

Internal Audit Department

Subject: Orange County Local Transportation Authority Measure M2

Agreed-Upon Procedures Reports, Year Ended June 30, 2016

Overview

Vavrinek, Trine, Day & Company, LLP, an independent accounting firm, has completed agreed-upon procedures related to Measure M2 Senior Non-Emergency Medical Transportation Program funds provided to the County of Orange, Local Fair Share funds provided to nine cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2016. 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.

Recommendations

- 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.

Background

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayer Oversight Committee selects a sample of local jurisdictions receiving Measure M2 (M2) funding for review to determine the local jurisdictions' level of compliance with provisions of the M2 Ordinance (Ordinance). For the fiscal year (FY) ended June 30, 2016, the Subcommittee selected the County of Orange (County) for review of the Senior Non-Emergency Medical Transportation (SNEMT) Program funding, nine cities for review of Local Fair Share (LFS) program funding, and four cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures applied for these reviews were approved by the Subcommittee.

The SNEMT program supplements existing countywide services that are funded with Tobacco Settlement Revenue (TSR). Since the SNEMT program is intended to supplement, not replace, existing TSR expenditures, the County is required to allocate the same percentage of TSR funding that was allocated in November 2006. A cooperative agreement between the County and the Orange County Local Transportation Authority (OCLTA) outlines program requirements. The County is required to submit quarterly SNEMT activity reports within 45 days of quarter end.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is required to maintain a minimum level of local street and roads expenditures to conform to a defined maintenance of effort (MOE) requirement.

The SMP funds local community transportation services for seniors. This program provides 80 percent of the funding allocation, and participating local jurisdictions provide a 20 percent match. A cooperative agreement is executed between the local jurisdiction and OCLTA to outline requirements of the program and required matching funds. Cities are required to submit monthly SMP activity reports within 30 days of month end.

All M2 revenues, interest earned on net revenues, expenditures, and expenditures of earned interest are required to be reflected, along with a certification by the finance director, on an annual M2 Expenditure Report that must be adopted and filed with OCLTA within six months of fiscal year end.

Discussion

Vavrinek, Trine, Day & Company, LLP, (auditors) conducted the agreed-upon procedures, including site visits to each of the selected cities, and conducted

interviews of city finance and program-related staff. Procedures included sample testing of expenditures for compliance with related program requirements, review of indirect costs for adequate support and reasonableness, testing to ensure allocation of interest, and testing of activity reports and annual expenditure reports for accuracy.

Agreed-Upon Procedures: SNEMT Program Funds

The auditors identified omissions in the annual M2 Expenditure Report filed by the County. The M2 Expenditure Report did not include \$233,672 in administrative charges or any of the indirect charges to the SNEMT program. In addition, the fourth quarter SNEMT activity report under-reported expenditures by \$898,245. The auditors also reported that the County had not allocated interest to the fund, as required. The County responded that administrative and indirect cost charges will be reported with an explanation on the expenditure report for June 30, 2017, and procedures will be updated to ensure inclusion of these costs on all reports going forward. With regard to the quarterly activity report, the County indicated that the variance resulted from the timing of payments that were recorded in the general ledger after preparation of the report. The County will revise procedures to include accrual amounts in the fourth quarter summary reports; however, the County advised there will still be some differences. Finally, the County responded that interest revenue and costs will be tracked and allocated to the fund going forward.

The Orange County Local Transportation Authority Measure M2 Senior Non-Emergency Medical Transportation Program Agreed-Upon Procedures Report Year Ended June 30, 2016, can be found at Attachment A.

Agreed-Upon Procedures: LFS Program Funds

The auditors examined the cities of Fountain Valley, Fullerton, Laguna Niguel, Laguna Woods, Lake Forest, Newport Beach, Placentia, San Juan Capistrano, and Yorba Linda. At seven cities, the auditors identified expenditures not properly classified as MOE expenditures; however, after removing the amounts from MOE, all of the cities still met the minimum MOE requirement. Three cities failed to report indirect costs on their annual M2 Expenditure Reports, one city misreported LFS fund balance, and another city reported budget, rather than actual amounts, on the M2 Expenditure Report. Finally, one city did not include certain pavement management plan projects for which LFS funds were expended, in their Capital Improvement Project Plan, as required. Finally, a LFS expenditure of \$29 was found to be improperly classified.

A summary of all findings, by city, can be found at Attachment B and the detailed reports can be found at Attachment C.

Agreed-Upon Procedures: SMP Funds

The auditors examined the cities of Fullerton, Mission Viejo, Newport Beach, and Yorba Linda. Reporting errors in monthly activity reports were identified at two cities, and another city had not reflected fare revenue and other match expenditures in its general ledger system. The City of Fullerton (Fullerton) funded three trips to out-of-county destinations, contrary to revised guidelines for SMP trips. Also, Fullerton had not allocated interest to the funds and did not have evidence of insurance coverage on file for one of its SMP vendors. The City of Mission Viejo utilized two SMP vendors acquired through competitive bid in 2003 and 2006, and continued to extend those contracts, rather than conduct another competitive procurement for the services. The City of Yorba Linda (Yorba Linda) over-allocated interest to the SMP fund in error. Also, Yorba Linda revised its SMP program from allowing participants 55 and older to allowing participants 60 and older, in order to align with the ordinance.

A summary of all findings, by city, can be found at Attachment B and the detailed reports can be found at Attachment D.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 SNEMT, LFS, and SMP funds provided to the County and ten cities for the FY ended June 30, 2016.

Attachments

- A. Orange County Local Transportation Authority Measure M2 Senior Non-Emergency Medical Transportation Program Agreed Upon Procedures Report Year Ended June 30, 2016
- B. Summary of Agreed-Upon Procedures Reports Orange County Local Transportation Authority
- C. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2016
- D. Orange County Local Transportation Authority Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2016

Prepared by:

Janet Sutter

Executive Director, Internal Audit

714-560-5591

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 SENIOR NON EMERGENCY MEDICAL TRANSPORTATION PROGRAM AGREED-UPON PROCEDURES REPORT

Year Ended June 30, 2016

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 SENIOR NON EMERGENCY MEDICAL TRANSPORTATION PROGRAM AGREED-UPON PROCEDURES REPORT

Year Ended June 30, 2016

The County of Orange was selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2016.



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — COUNTY OF ORANGE

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the County of Orange's (County) level of compliance with certain provisions of the Measure M2 Senior Non-Emergency Medical Transportation Program (SNEMT Program) as of, and for the fiscal year ended, June 30, 2016. The County's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement between OCLTA and the County of Orange and determined that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which funds the County used to track expenditures relating to Senior Non Emergency Medical Transportation Program (SNEMT) monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the amount listed as expended on the County's Expenditure Report (Schedule 2, lines 13 and 14 for Project U), explaining any differences.

Results: The County's expenditures are tracked in the general ledger by fund, department, unit and job number. The County records its Senior Non-Emergency Medical Transportation Program expenditures in its General Fund (100), within the Orange County Community Resources Department (012), Office of Aging Unit (2700), within M2 Administrative (Job# CA802) and M2 Contract (Job# CA812). Total program expenditures totaled \$3,353,995, for the fiscal year ended June 30, 2016. The County reported total expenditures of \$3,120,323 on the Expenditure Report (Schedule 2, lines 13 and 14 for Project U), resulting in a difference of \$233,672. The County excluded \$233,672 of M2 Administrative expenditures from the Expenditure Report. No other differences were noted as a result of our procedures.

3. We obtained a listing of Measure M2 SNEMT payments made from OCLTA to the County and calculated the amount the County has received for the past three fiscal years. We obtained the fund balance of the County's SNEMT funds as of June 30, 2016, agreed to the balance as listed on the County's Expenditure Report (Schedule 1, lines 16 and 17) and determined whether funds were expended within three years of receipt, explaining any differences. For payments received during the fiscal year ended June 30, 2016, we agreed the amount listed as received on the County's Expenditure Report (Schedule 2, line 5 for Project U), explaining any differences.

<u>Results:</u> The County received \$8,183,944 for the past three fiscal years, all for Measure M2 Senior Non-Emergency Medical Transportation Program for fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2015/2016	Senior Non-Emergency Medical Transportation Program(M2)	\$ 1,366,662

We compared the fund balance or \$1,366,662 to the County's Expenditure Report (Schedule 1, lines 16 and 17), noting the County reported \$1,600,334, a difference of \$233,672. The County excluded \$233,672 of M2 Administrative expenditures from the Expenditure Report, which is the same difference noted in Procedure #2.

The County received \$2,825,885 during the fiscal year ended June 30, 2016 which agreed to the County's Expenditure Report (Schedule 2, Line 5 for Project U). No other differences were noted as a result of our procedures.

4. We reviewed the County's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 SNEMT fund. We agreed the amount reflected to the amount of interest listed on the County's Expenditure Report (Schedule 2, line 6 for Project U), explaining any differences.

Results: We reviewed the County's interest allocation methodology and noted the County did not separately track interest for the Senior Non-Emergency Medical Transportation Program for the year ended June 30, 2016. All interest earned during the fiscal year was allocated to the County's General Fund (100), and \$0 interest was reported on the County's Expenditure Report (Schedule 2, line 6 for Project U).

5. We determined the amount of Tobacco Settlement funds required to be expended by the County for the fiscal year ending June 30, 2016 (e.g. obtained from OCLTA the percentage requirement and applied to the annual state allocation of Tobacco Settlement funds for the year under review).

<u>Results:</u> Through review of the Cooperative Agreement it was noted that the percentage of Tobacco Settlement Funds required to be expended by the County is equal to 5.27 percent of the total received. The total state allocation of Tobacco Settlement funding received by the County was \$25,945,738 for fiscal year ending June 30, 2016 of which \$1,367,340 (5.27%) was to be expended by the County.

6. We determined that the County spent the required annual amount of Tobacco Settlement funds on the SNEMT program and selected a sample from the general ledger to verify the expenditures related to the SNEMT program.

<u>Results:</u> Through review of the general ledger detail, it was determined that the County allocated and transferred the minimum 5.27% of Tobacco Settlement Funds to the SNEMT Program expenditures. The County recorded expenditures of \$1,398,251 (or 5.39% of total Tobacco Settlement funding) within job numbers CA800 and CA810 for the SNEMT Program, which was in excess of the minimum requirement. Measure M2 SNEMT program expenditures tested totaled \$1,131,695 or 81% of total Tobacco Settlement expenditures. No exceptions were noted, as a result of our procedures.

- 7. We selected a sample of Measure M2 SNEMT expenditures from the County's general ledger expenditure detail. For each item selected we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above are exclusively for the SNEMT program and complied with the Measure M2 Project U Senior/Disabled Program Funding Policy guidelines and the cooperative agreement.

<u>Results</u>: Measure M2 Senior Non-Emergency Medical Transportation Program expenditures tested totaled \$2,372,621 representing approximately 71% of total Measure M2 Senior Non-Emergency Medical Transportation Program expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

8. We inquired as to the procedures used by the County to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

<u>Results:</u> We inquired of the County's program personnel as to the procedures used to ensure services are provided only to eligible participants. We noted that the County has monitoring procedures to review participant data, such as date of birth, to ensure only eligible residents are enrolled in the Senior Non-Emergency Medical Transportation Program. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 SNEMT expenditures. If applicable, we compared indirect costs identified to the amount reported on the County's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, Line 1), the County reported \$0 in indirect costs. Per discussions with the County's accounting personnel and review of the general ledger expenditure detail, we identified indirect expenditures. We noted that these costs were supported by an approved cost allocation plan; costs were specifically allocated to the SNEMT Program based on labor hours. We tested a total of \$102,393 in indirect costs, representing 3% of total Measure M2 Senior Non-Emergency Medical Transportation Program expenditures for the fiscal year ended June 30, 2016. No other exceptions were noted as a result of our procedures.

- 10. We determined if the County contracts with a third party service provider to provide senior transportation service, and performed the following:
 - a. Verified that the Contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

<u>Results:</u> Based on our review of the general ledger expenditure detail and discussion with County accounting personnel, the County contracted with two third party service providers, Abrazar Inc. and Age Well Senior Services Inc. to provide transportation services for the Senior Non-Emergency Medical Transportation Program. We verified that both vendors were selected using a competitive procurement process through review of the County's Request for Proposal, bidding documents, and the executed agreements. Per review of the contract agreements we verified that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

- 11. We obtained the proof of insurance coverage for the County's Contractor and performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified that the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Results: Based on our review of the general ledger expenditure detail and discussion with County accounting personnel, the County contracts with two third party service providers, Abrazar Inc. and Age Well Senior Services Inc., to provide transportation services for the Senior Non-Emergency Medical Transportation Program. We obtained and reviewed the insurance coverage for both contractors, and noted the requirements established in the Cooperative Agreement were met. As required in the Cooperative Agreement, we noted the current year proof of insurance for the County was submitted and on file with OCLTA, while the County's contractors' insurance was on file with the County. No exceptions were noted as a result of our procedures.

12. We obtained the quarterly summary reports and determined the reports were properly prepared and submitted within forty-five (45) days.

Results: Through review of the County's quarterly summary reports, it was noted that the fourth quarter report expenditures did not agree to the County's general ledger. Total expenditures were under-reported by \$898,245, or 19% of the actual general ledger balances. The County asserted the differences were related to the timing of processing payments, which were recorded in the general ledger subsequent to the monthly report submission. In addition, we noted all reports were submitted to OCLTA within forty-five (45) days of month end. No other exceptions were noted as a result of our procedures.

13. We inquired of the County whether they prioritized trips provided under the SNEMT program. If so, we determined whether actual expenditures exceeded available program funding and whether OCLTA was notified as required.

<u>Results:</u> Through inquiry of management, it was determined that the prioritized trip program was not implemented during the fiscal year ending June 30, 2016. As such, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the SNEMT Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the County's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the County's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the OCLTA and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Laguna Hills, California

Vavinel Trin, Dry; Co, Ul

March 8, 2017

DYLAN WRIGHT
DIRECTOR
OC COMMUNITY RESOURCES

CYMANTHA ATKINSON
DEPUTY DIRECTOR
OC COMMUNITY RESOURCES

JENNIFER HAWKINS, DVM DIRECTOR OC ANIMAL CARE

RENEE RAMIREZ
DIRECTOR
OC COMMUNITY SERVICES

JULIA BIDWELL
DIRECTOR
HOUSING & COMMUNITY
DEVELOPMENT &
HOMELESS PREVENTION

STACY BLACKWOOD DIRECTOR OC PARKS

HELEN FRIED COUNTY LIBRARIAN OC PUBLIC LIBRARIES March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

Subject: County Response Letter

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Non-Emergency Medical Transportation Program for the County of Orange as of and for the fiscal year ended June 30, 2016.

Procedure #2

We documented which funds the County used to track expenditures relating to Senior Non-Emergency Medical Transportation Program (SNEMT) monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the amount listed as expended on the County's Expenditure Report (Schedule 2, lines 13 and 14 for Project U), explaining any differences.

Results:

The County's expenditures are tracked in the general ledger by fund, department, unit and job number. The County records its Senior Non-Emergency Medical Transportation Program expenditures in its General Fund (100), within the Orange County Community Resources Department (012), Office of Aging Unit (2700), within M2 Admin (Job# CA802) and M2 Contract (Job# CA812). Total program expenditures totaled \$3,353,995, for the fiscal year ended June 30, 2016. The County reported total expenditures of \$3,120,323 on the Expenditure Report (Schedule 2, lines 13 and 14 for Project U), resulting in a difference of \$233,672. The County excluded \$233,672 of M2 Admin expenditures from the Expenditure Report. No other differences were noted as a result of our procedures.

County's Response:

The difference of \$233,672 is the County's administration portion of Senior Non-Emergency Medical Transportation Program expenditures. The County will report administration expenditures of \$233,672 on County's Expenditure Report for June 30, 2017 with an explanation. In addition, the County will revise procedures to include County's administration costs on County's Expenditure Report.

Procedure #3

We obtained a listing of Measure M2 SNEMT payments made from OCLTA to the County and calculated the amount the County has received



OFFICE OF THE DIRECTOR 1770 NORTH BROADWAY SANTA ANA, CA 92706-2642 PHONE: 714.480.2788 FAX: 714.480.2899 for the past three fiscal years. We obtained the fund balance of the County's SNEMT funds as of June 30, 2016, agreed to the balance as listed on the County's Expenditure Report (Schedule 1, lines 16 and 17) and determined whether funds were expended within three years of receipt, explaining any differences. For payments received during the fiscal year ended June 30, 2016, we agreed the amount listed as received on the County's Expenditure Report (Schedule 2, line 5 for Project U), explaining any differences.

Results:

The County received \$8,183,944 for the past three fiscal years, all for Measure M2 Senior Non-Emergency Medical Transportation Program for fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

Allocation Year	Funding Source	maining Fund lance
2015/2016	Senior Non-Emergency Medical Transportation Program (M2)	\$ 1,366,662

We compared the fund balance or \$1,366,662 to the County's Expenditure Report (Schedule 1, lines 16 and 17), noting the County reported \$1,600,334, a difference of \$233,672. The County excluded \$233,672 of M2 Admin expenditures from the Expenditure Report, which is the same difference noted in Procedure #2.

The County received \$2,825,885 during the fiscal year ended June 30, 2016 which agrees to the County's Expenditure Report (Schedule 2, Line 5 for Project U). No other differences were noted as a result of our procedures.

County's Response:

Same as procedure #2.

Procedure #4

We reviewed the County's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 SNEMT fund. We agreed the amount reflected to the amount of interest listed on the County's Expenditure Report (Schedule 2, line 6 for Project U), explaining any differences.

Results:

We reviewed the County's interest allocation methodology and noted the County did not separately track interest for the Senior Non-Emergency Medical Transportation Program for the year ended June 30, 2016. All interest earned during the fiscal year was allocated to the County's General Fund (100), and \$0 interest was reported on the County's Expenditure Report (Schedule 2, line 6 for Project U).

County's Response:

The County will create a spreadsheet to calculate interest revenue and cost attributable to Senior Non-Emergency Medical Transportation Program funding and report the annual interest amount on County's Expenditure Report for June 30, 2017. In addition, the County will revise procedures to calculate and include interest revenue and costs associated with Senior Non-Emergency Medical Transportation Program on County's Expenditure Report.

Procedure #9

We identified whether or not indirect costs were charged as Measure M2 SNEMT expenditures. If applicable, we compared indirect costs identified to the amount reported on the County's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results:

Based on our review of the Expenditure Report (Schedule 3, Line 1), the County reported \$0 in indirect costs. Per discussions with the County's accounting personnel and review of the general ledger expenditure detail, we identified indirect expenditures. We noted that these costs were supported by an approved cost allocation plan; costs were specifically allocated to the SNEMT Program based on labor hours. We tested a total of \$102,393 in indirect costs, representing 3% of total Measure M2 Senior Non-Emergency Medical Transportation Program expenditures for the fiscal year ended June 30, 2016. No other exceptions were noted as a result of our procedures.

County's Response:

The County will report indirect costs of \$102,393 on County's Expenditure Report for June 30, 2017 with an explanation. In addition, the County will revise procedures to include indirect costs associated with Senior Non-Emergency Medical Transportation Program on County's Expenditure Report.

Procedure #12

We obtained the quarterly summary reports and determined the reports were properly prepared and submitted within forty-five (45) days.

Results:

Through review of the County's quarterly summary reports, it was noted that the fourth quarter report expenditures did not agree to the County's general ledger. Total expenditures were under-reported by \$898,245, or 19% of the actual general ledger balances. The County asserted the differences were related to

the timing of processing payments, which were recorded in the general ledger subsequent to the monthly report submission. In addition, we noted all reports were submitted to OCLTA within forty-five (45) days of month end. No other exceptions were noted as a result of our procedures.

County's Response:

The County will revise procedures to include accrual amounts at the time of submission of the fourth quarter summary report. Due to timing of processing actual invoices, there will be some differences between accrual and actual amounts.

Respectfully yours,

Signature

OC Community Resources Director

Date

ATTACHMENT B

SUMMARY OF AGREED-UPON PROCEDURES REPORTS Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2016

City	Result	City Management Response
Fountain Valley	One Maintenance of Effort (MOE) expenditure for \$1,629 was not properly classified as a local street and road expenditure. However, after removing the expenditure from total MOE expenditures, the City of Fountain Valley (Fountain Valley) continued to meet the MOE	Management indicated that expenditures will be closely reviewed to ensure proper classification in the future.
	Fountain Valley's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$44,826 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management indicated that, going forward, indirect costs will be properly reported on the expenditure report.
Fullerton	One MOE expenditure, for \$14,493 was not properly classified as a local street and road expenditure. However, after removing the expenditure from the total MOE expenditures, the City of Fullerton (Fullerton) continued to meet the MOE requirement.	These expenditures will no longer be considered as part of the MOE calculation.
	Fullerton's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$380,219 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management will report indirect costs on the expenditure report in the future.
Laguna Niguel	Twelve MOE expenditures, totaling \$89,440 were not properly classified as local street and road expenditures. In addition, one invoice for \$60,905 was overpaid by \$1,000. However, after removing these expenditures from total MOE expenditures, the City of Laguna Niguel continued to meetin the minimum MOE requirement.	Management has implemented procedures to ensure expenditures reported as MOE are properly classified in the future.
Laguna Woods	The City of Laguna Woods' (Laguna Woods) Fund 111 had a deficit fund balance of (\$145,137), which included Local Fair Share and other M2 funds. Laguna Woods calculated a fund balance of \$29,883 in Local Fair Share (LFS) funds, which did not agree to Laguna Woods' expenditure report, which reflected a fund balance of \$133,266.	The variance is primarily due to \$103,361 in eligible expenses incurred and recorded in Fund 111 in fiscal year (FY) 2013-14 which were inadvertently excluded from the annual M2 report. Laguna Woods will correct the beginning fund balance as part of the FY 2016-17 reporting and has updated accounting controls and procedures for the reconciliation of fund balances. Also, a second reviewer will ensure the report reconciles to the general ledger.
	None of the LFS expenditures tested, totaling \$137,921, were related to projects on the City of Laguna Woods' approved Seven-Year Capital Improvement Plan (CIP), as required. In addition, one expenditure, for \$29, did not meet the criteria of a street and road expenditure.	Management acknowledged that expenditures related to the Laguna Woods' Pavement Management Plan (PMP) have not been reflected in the CIP, but agreed to include these expenditures going forward. As to the \$29 expenditure, Laguna Woods' management believes this expenditure to be an allowable cost; however, they agreed to defer to the judgement of the auditors and will repay the amount, with interest, to the fund.
Lake Forest	One MOE expenditure, for \$9,159 was not properly classified as a local street and road expenditure. However, after removing the expenditure from the total MOE expenditures, the City of Lake Forest continued to meet the MOE requirement.	Management stated they believe this to be an isolated incident and asserted that internal controls are in place to provide reasonable assurance that errors such as this will be detected.
Newport Beach	None	None
Placentia	Three MOE expenditures, totaling \$42,732, were not properly classified as a local street and road expenditures. However, after removing the expenditures from the total MOE expenditures, the City of Placentia (Placentia) continued to meet the MOE requirement.	Management will revise procedures for determining what is applicable to the MOE requirement going forward.

SUMMARY OF AGREED-UPON PROCEDURES REPORTS Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2016

City	Result	City Management Response
	Placentia's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$3,883 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management will amend its procedures to include indirect costs when determining MOE totals.
San Juan Capistrano	One MOE expenditure, for \$1,350 was not properly classified as a local street and road expenditure. Another expenditure of \$21,435 for street striping, appeared allowable; however, the invoice had been altered to reflect an invoice date of 7/1/15. Further review noted that the invoice was issued prior to that date. However, after removing amounts from total MOE expenditures, the City of San Juan Capistrano's continued to meet the MOE requirement.	Management will instruct personnel processing vendor invoices to watch for any apparent alterations to documents and immediately inform management of the same.
Yorba Linda	The City of Yorba Linda (Yorba Linda) reported budgeted MOE expenditures on the Expenditure Report, rather than actuals.	In the future, actual amounts will be reported on the Expenditure Report.
	Testing identified costs totalling \$80,118 claimed as MOE expenditures which were not properly classified as local street and road expenditures. However, after removing the amounts from total MOE expenditures, Yorba Linda continued to meet the MOE requirement.	The Finance Department will work with the Public Works Department to implement a methodology to segregate unallowable expenditures into easily-identifiable accounts so that they will be excluded from future MOE calculations.

SUMMARY OF AGREED-UPON PROCEDURES REPORTS Orange County Local Transportation Authority Measure M2 Senior Mobility Program for the Year Ended June 30, 2016

City	Result	City Management Response
Fullerton	All interest earned during the fiscal year was tracked in the Measure M2 Fund as LFS interest income.	The Fullerton will allocate interest income between the Senior Mobility Program (SMP) and LFS going forward.
	Three expenditures totalling \$1,788, were for transportation services outside of the county. Destinations were to the Riverside Mission Inn, San Diego Harbor, and one taxicab trip to Rowland Heights.	Fullerton will change its policy and will not pay for trips outside of the county, and will reimburse the Orange County Transportation Authority (OCTA) for the cost of the two trips provided through the non-profit agency.
	Fullerton funded two trips outside the county through a non-profit organization. The trip provider was selected by the non-profit organization; therefore, a competitive process resulting in a Fullerton contract that included language related to wheelchair accessibility and insurance requirements was not available for review.	With the agreement being between the provider and the non-profit agency, Fullerton believed that the competitive procurement process was not applicable. Fullerton will reimburse the cost of these trips to OCTA.
	Evidence of Workers Compensation and Employers' Liability insurance coverage for California Yellow Cab, one of the SMP providers, could not be verified, as evidence was not provided.	Yellow Cab of California is in the process of obtaining insurance required and Fullerton will receive it soon. The Fullerton will follow-up every year with the contractor to ensure that the proper insurance is on file.
	Review of Fullerton's monthly summary reports noted that, in five of twelve reports, expenditures did not agree to supporting documentation. Total expenditures were underreported by \$14,197. In addition, revisions were made to the monthly report for June 2016, but were not submitted to the Orange County Local Transportation Authority.	Fullerton will reconcile all monthly reports with the general ledger prior to submitting to OCTA. Fullerton will notify OCTA of any changes and will submit a revised SMP report.
Mission Viejo	Fare revenues collected by the City of Mission Viejo (Mission Viejo) third party vendor were not recorded in the general ledger. Instead, fare revenues were used to offset amounts paid to the contractor.	Mission Viejo will request the third party provider to submit invoices reflecting total costs of the service, and fares collected. Mission Viejo will then enter both amounts when processing invoices so that it is visible in the general ledger.
	Required match expenditures were not reported in Mission Viejo's general ledger. California Yellow Cab collects \$5 per trip to offset trip costs as a match, while Age Well Senior Services holds back 20% of the invoice total as a match.	In the future, Mission Viejo will enter total expenditures and match figures in the general ledger.
	The two third party service providers, California Yellow Cab and Age Well Senior Services, were originally awarded contracts in 2006 and 2003, respectively, and have been extended ever since, without any additional competitive procurement activities.	Mission Viejo will not issue additional contract extensions, but will solicit competitive bids at the first opportunity.
Newport Beach	Review of the City of Newport Beach's (Newport Beach) monthly summary reports noted that, in nine of twelve reports, expenditures did not agree to supporting documentation. Total expenditures were underreported by \$29,810.	The differences between monthly reports and the general ledger are due of the timing of procssing the reports. Newport Beach will submit these reports timely and prepare a year-to-date report after the close of each fiscal year.
Yorba Linda	The Yorba Linda overallocated interest to the SMP fund due to a calculation error.	The formula error has since been corrected.
	Yorba Linda's program originally included participants 55 years old and over however, the Measure M2 ordinance dictates funding be provided for participants 60 years old and over As such, during the year, Yorba Linda revised the policy to ensure only participants 60 years old and over are enrolled in the program. Yorba Linda reviewed all registration forms on file in March 2016, and identified only four participants between the ages of 55 and 59. Subsequent to the review, staff was advised that only those participants 60 and over may participate.	As indicated, Yorba Linda has already implemented procedures to ensure only residents 60 years old and over are enrolled in the program.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2016

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2016

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2016. Please refer to the individual divider tab for our report on each Agency.

City of Fountain Valley
City of Fullerton
City of Laguna Niguel
City of Laguna Woods
City of Lake Forest
City of Newport Beach

City of Placentia

City of San Juan Capistrano

City of Yorba Linda

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF FOUNTAIN VALLEY

Board of Directors Orange County Local Transportation Authority and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Fountain Valley's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$1,180,712 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (11), under the Public Works and Field Services Departments. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,493,170 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,493,170 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$607,465, representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$1,629, was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$44,826. No other exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$2,894,157 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Rema	Remaining Fund Balance	
2015/2016	Local Fair Share (M2)	\$	997,308	
2014/2015	Local Fair Share (M2)		976,550	
2013/2014	Local Fair Share (M2)		749,434	

We agreed the fund balance of \$2,723,292 to the City's Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

<u>Results:</u> The City's Measure M2 Local Fair Share expenditures are recorded in Fund 25, Measure M2 Fund as transfers out to Fund 24 Traffic Improvement Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$39,751 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$27,628 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, the City reported \$7,876 as indirect costs for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$2,762, representing approximately 35% of the total indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Varinch Txin, Dx; Co, US

Laguna Hills, California

March 8 2017

March 8, 2017

CITY OF FOUNTAIN VALLEY, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort	(MOE)	Expenditures:
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\$ 471,757
1,111,838
909,575
2,493,170
20,450
7,776
7,110
4,415
39,751
\$ 2,532,921

Note:

The above amounts were taken directly from the financial records of the City of Fountain Valley and were not audited.



CITY OF FOUNTAIN VALLEY

www.fountainvalley.org

10200 SLATER AVE - FOUNTAIN VALLEY, CA 92708-4736 (714) 593-4400, FAX (714) 593-4498

March 8, 2017

Board of Directors Orange County Local Transportation Authority and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Fountain Valley as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$607,465 representing approximately 24% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$1,629, was not properly classified as a local street and road expenditure, nor were the costs allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

City staff will closely review expenditures for proper classification and restrict MOE expenditures to only include expenditures related to local street and roads. WE are comfortable that except for the expenditure noted above all other expenditures meet the MOE requirements.

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible

Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$44,826. No other exceptions were noted as a result of our procedures.

City's Response:

The correction has been noted. Going forward, indirect costs will be properly reported on the Expenditure Report (Schedule 3, line 1).

Sincerely,

Title: Interim City Manager

Title: <u>Director of Finance / City Treasurer</u>

Title: Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF FULLERTON

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Fullerton's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$3,427,988 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (10) and Sanitation Fund (23), under the Public Works Department. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$5,740,353 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$5,740,353 to the amount reported on the City's Expenditure Report (Schedule 3, Line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$655,532 representing approximately 11% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$14,493, was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, Line 1), explaining differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$380,219. No other exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$6,037,218 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

Allocation Year	Funding Source	Rem	naining Fund Balance
2015/2016	Local Fair Share (M2)	\$	2,083,616
2014/2015	Local Fair Share (M2)	\$	1,113,716

We agreed the fund balance of \$3,197,332 to the City's Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

<u>Results:</u> The City's Measure M2 Local Fair Share expenditures are recorded in Fund 25, Measure M2 as transfers out to Fund 74, Capital Improvement Projects. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$2,360,818 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, noting any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M Local Fair Share expenditures tested totaled \$976,552 representing approximately 41% of total Measure M Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, Line 1) and explained any differences. If applicable, we selected a sample of charges. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussions with the City's accounting personnel, the City reported \$103,244 as indirect costs for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$11,264, representing approximately 11% of the indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavinch True, Dry; Co, Cof Laguna Hills, California

March 8, 2017

CITY OF FULLERTON, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort (MOE) Expenditures: Maintenance:	
Overlay & Sealing - Schedule 3, line 12	\$ 2,559,322
Street Lights & Traffic Signals - Schedule 3, line 13	449,198
Other Street Purpose Maintenance - Schedule 3, line 15	2,731,833
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	-,,,,,,,,
T IMOFF 19	5 740 252
Total MOE Expenditures	5,740,353
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Placentia Ave. Reconstruction - Chapman to Ruby (CIP 44013)	2,369
Gilbert Street Reconstruction - Rosecrans to Pioneer (CIP 44020)	814,460
Valencia Drive Reconstruction - Euclid to Basque (CIP 44021)	10,549
Highland Ave. Reconstruction - Valencia to Baker Ave. (CIP 44023)	304,222
Chapman Ave. Rehabilitation - Berkeley to Raymond (CIP 44025)	29,826
Kraemer Blvd. Reconstruction - Lambert Road to Golden Avenue (CIP 44027)	474
State College Reconstruction - Yorba Linda Blvd. to Santa Fe Ave. (CIP 44028)	6,247
Residential St. Reconstruction 14-15: Ponderosa (CIP 44029)	500,000
Nutwood Ave - Chapman Ave & 57 Fwy (CIP 44031)	34,276
Arterial St. Reconstruction, Rehabilitation & Repair (CIP 44400)	138,159
Residential Street Program (CIP 44586)	325,825
Residential Street Program (CIP 44587)	11,113
Curb/Gutter & Sidewalk Reconstruction (CIP 44786)	17,791
Curb/Gutter & Sidewalk Reconstruction (CIP 44787)	18,760
Bastanchury Rd. Widening from Harbor Blvd. to Fairway Isles Dr. (CIP 45670)	43,503
Administration (Indirect & Overhead)	103,244
Total Measure M2 Local Fair Share Expenditures	2,360,818
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 8,101,171

Note

The above amounts were taken directly from the financial records of the City of Fullerton and were not audited.



March 8, 2017

Administration (714) 738-6521 Fiscal Services (714) 738-6529 Information Technology (714) 738-6538 Purchasing (714) 738-6533

Board of Directors

Orange County Local Transportation Authority and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Fullerton as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$655,532 representing approximately 11% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure, totaling \$14,493, was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

The City of Fullerton's Public Works department is requesting Park Dwelling funding for tree trimming in parks starting FY 17-18 so it will not be considered in the MOE calculation.

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we compared indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, Line 1), explaining differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger

expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$380,219. No other exceptions were noted as a result of our procedures.

City's Response:

Effective FY 2016-17, the City of Fullerton will calculate indirect costs in programs supporting MOE expenditures, and indicate the total on the M2 Expenditure Report, Schedule 3, line 1.

Sincerely,

Title: City Manager

Title: Director of Administrative Services

Title: Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF LAGUNA NIGUEL

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Laguna Niguel's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$721,542 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (100) and Capital Improvement Program Fund (300), under the Street Sweeping (32), Street Lighting (33), Median Maintenance (34), and Street & Roads (70) Departments. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,032,253 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,032,253 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$856,712, representing approximately 42% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted 13 exceptions as follows:

- 12 expenditures, totaling \$89,440 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance.
- 1 allowable invoice in the amount of \$60,905 was overpaid by \$1,000.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$3,091,844 for the past three fiscal years ended June 30, 2014, 2015 and 2016. We noted no remaining fund balance which agreed to the City's Expenditure Report (Schedule 1, lines 12 and 13). No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 300, Capital Improvement Project, under project 5008-11 & 5008-12 Annual Street Resurfacing Program. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,062,958 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$1,062,958 representing 100% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavinch, Txie, Dz; Co, US Laguna Hills, California

March 8, 2017

CITY OF LAGUNA NIGUEL, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Maintananaa	

\$	274,775
	665,520
	747,625
	344,333
	2,032,253
	1,062,958
	1,062,958
c .	3,095,211

Note:

The above amounts were taken directly from the financial records of the City of Laguna Niguel and were not audited.





30111 Crown Valley Parkway • Laguna Niguel, California 92677 Phone/949 • 362 • 4300 Fax/949 • 362 • 4340

Mayor Jerry Slusiewicz Mayor Pro Tem Fred Minagar Council Member Laurie Davies Council Member Elaine Gennawey Council Member John Mark Jennings

March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Laguna Niguel as of and for the fiscal year ended June 30, 2016.

Procedure #4:

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$856,712, representing approximately 42% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted 13 exceptions as follows:

- 12 expenditures, totaling \$89,440 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance.
- 1 allowable invoice in the amount of \$60,905 was overpaid by \$1,000.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

The City concurs with the results above. While the City still continues to meet the MOE requirement, we have implemented procedures to ensure in the future that the expenditures reported as MOE-related are properly classified: 1) as to types of costs allowable per the Ordinance and 2) at the proper amounts. Finance staff will review the transactions in the expenditure accounts and functions determined to be MOE-related periodically throughout the fiscal year (for example, quarterly) to ensure that only allowable costs have been recorded in those designated accounts. Should any overpayments occur in those related accounts, they would be reclassified to prepaids until the period in which the credits were used to cover future expenditures. Additional review procedures will be put into place to determine the MOE expenditures amount for annual reporting to Orange County Local Transportation Authority.

Sineerely,

Title: City Manager

Title: Director of Finance

Title: Director of Public Works



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF LAGUNA WOODS

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Laguna Woods' (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$83,501 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001), under Department 2100-7830.000, Landscape Services, M2 MOE. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$88,396 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$88,396 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$66,957, representing approximately 76% of total MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$594,470 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Year Funding Source Remaining Fund Balance
2015/2016 Local Fair Share (M2) \$ 29,883

The City's Fund 111 had a deficit fund balance of (\$145,137), which included M2 Local Fair Share and other M2 fund balances. The City calculated fund balance for the M2 Local Fair Share funds of \$29,883. The remaining fund deficit of (\$175,020) is related to other M2 funds. The calculated fund balance of \$29,883 did not agree to the City's Expenditure Report (Schedule 1, lines 12 and 13), which reflected a M2 Local Fair Share fund balance of \$133,266.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 111, Measure M2, under Department 2100 – Engineering & Infrastructure Services, Accounts 8XXX.0000. We noted Fund 111 is used to track M2 Local Fair Share and Other M2 programs. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$173,576 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$137,921 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. We noted that none of the expenditures tested related to projects on the City's approved Seven-Year CIP, as required. Further, we noted one expenditure in the amount of \$29 which did not meet the criteria of a local street and road expenditure.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$600, representing 100% of the total indirect costs per Schedule 3, line 1. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 2), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavrich Trie, Dry; Co, UP
Laguna Hills, California
Morch 9, 2017

March 8, 2017

CITY OF LAGUNA WOODS, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance	of Effort (MOE)	Expenditures:

Maintenance of Error (WOE) Expenditures.		
Maintenance:		
Other Street Purpose Maintenance - Schedule 3, line 15		88,396
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1:		
Total MOE Expenditures		88,396
Measure M2 Local Fair Share Expenditures (Schedule 4):		
Administration (Indirect & Overhead)		600
Street Lighting - Public ROW		27,006
Contract - Traffic Engineering		122,126
Contract - Traffic Signal Main		23,844
Total Measure M2 Local Fair Share Expenditures		173,576
Total MOE and Measure M2 Local Fair Share Expenditures	\$	261,972

Note:

The above amounts were taken directly from the financial records of the City of Laguna Woods and were not audited.



CITY of LAGUNA WOODS

Shari L. Horne

Mayor

March 8, 2017

Carol Moore
Mayor Pro Tem

Board of Directors

Cynthia
Conners
Councilmember

Orange County Local Transportation Authority and the Taxpayers Oversight Committee of the Orange County Local Transportation Authority

Bert Hack
Councilmember

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Laguna Woods as of and for the fiscal year ended June 30, 2016.

Noel Hatch Councilmember

Christopher Macon City Manager

Procedure #6

We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results:

The City received \$594,470 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Y	<u>Funding Source</u>	Remaining Fund
Balance		
2015/2016	Local Fair Share (M2)\$	29,883

The City's Fund 111 had a deficit fund balance of (\$145,137), which included M2 Local Fair Share and other M2 fund balances. The City calculated fund balance for the M2 Local Fair Share funds of \$29,883. The remaining fund deficit of (\$175,020) is related to other M2 funds. The calculated fund balance of \$29,883 did not agree to the City's Expenditure Report (Schedule 1, lines 12 and 13), in which the M2 Local Fair Share fund balance was reported as \$133,266.

City's Response:

The City concurs with the finding. The fund balance reported in the general ledger is correct. The fund balance reported on the M2 report needs to be corrected. The variance is primarily due to \$103,361 in eligible expenses incurred and recorded in

Fund 111 in a prior year (FY 2013-14) which were inadvertently excluded from the annual M2 report. The City will correct the beginning fund balance on the FY 2016-17 M2 report unless instructed otherwise. Please note additional action, taken to reconcile all City Special Revenue Funds, including Fund 111, as summarized below.

Beginning mid-year in FY 2014-15 and through FY 2016-17, the City has undergone a significant reorganization, including replacement of all financial and accounting staff and an update of accounting controls and procedures. As part of this reorganization, and due to limited staffing, the City established a three-year plan to ensure balances per the prior books of record had been appropriately reported. In year one, FY 2014-15, the City retained a consultant to audit the beginning fund balances carried forward into a new set of books and records established on July 1, 2014. In year two, FY 2015-16, a consultant was retained to audit expenditures allocated to special revenue funds over a three-year period to ensure only eligible expenditures had been charged. Adjustments required were made including repayment with interest where appropriate. Fund 111 was reimbursed a total of \$1,910. Currently, in year three, FY 2016-17, the City is reconciling all fund balances to subsidiary records and supporting reports and is in the process of taking action to correct any discrepancies found.

Based on the reorganization, the City now has procedures in place to ensure staff preparing the annual M2 report reconciles to the general ledger, and that a second reviewer confirms that reconciliation.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
- b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Results:

Measure M2 Local Fair Share expenditures tested totaled \$137,921 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. We noted that none of the expenditures tested related to projects on the City's approved Seven-Year CIP, as required. Further, we noted one expenditure in the amount of \$29 which did not meet the criteria of a local street and

road expenditure.

City's Response:

The City concurs with the finding. This finding refers to amounts reported on Schedule 4 of the annual report, "Fair Share Project List." The City reported Pavement Management Plan (PMP) expenditures by category on Schedule 4. PMP expenditures were eligible expenditures. The City's CIP expenditures, based on program rules, are not claimable until certain other performance milestones are completed, and reporting is deferred until they can be claimed.

The City has not reported the Pavement Management Plan (PMP) in its annual budget document as part of its seven-year Capital Improvement Program (CIP), believing it should be accounted for separately (in the operational section). Prior staff, no longer with the City, segregated PMP and CIP as they were reported separately in the annual "Measure M Eligibility Package." Based on this audit, and discussion at the February 9, 2017, 2017 Semi-Annual Review workshop hosted by OCTA, the City is now aware that PMP should also be included in our annual budget document as part of the CIP seven-year plan. This correction will be made with the development of the FY 2017-18 budget, currently in process, and all future M2 reporting will be adjusted accordingly.

The City believes the \$29 was an allowable cost, but will defer to the judgement of the auditors and will repay the \$29 with interest to Fund 111.

Sincerely,

Title: <u>City Manager</u> Title: <u>Director of Finance</u>

Title: Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF LAKE FOREST

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Lake Forest's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$145,670 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (100), under Department 430 (Public Works Landscape/Building Maintenance) and 440 (NPDES Water Quality). No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$1,301,934 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$1,301,934 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$1,052,994, representing approximately 81% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure in the amount of \$9,159 was incorrectly charged to MOE and was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$3,613,298 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance was as follows:

Allocation Year Funding Source Remaining Fund Balance
2015/2016 Local Fair Share (M2) \$ 1,147,075

We agreed the fund balance of \$1,147,075 to the City's Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 220, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$589,370 (see Schedule A) which agreed to the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, noting any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$492,844 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we compared indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1) and explained any differences. If applicable, we selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Laguna Hills, California

March 8, 2017

CITY OF LAKE FOREST, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort (MOE) Expenditures:	
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	\$ -
Other - Schedule 3, line 17	1,301,934
Total MOE Expenditures	1,301,934
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street Repaving & Slurry Seal	589,370
Total Measure M2 Local Fair Share Expenditures	589,370
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 1,891,304

Note

The above amounts were taken directly from the financial records of the City of Lake Forest and were not audited.



Mayor Scott Voigts

Mayor Pro Tem Leah Basile

Ouncil Members
Dr. Jim Gardner
Andrew Hamilton
Dwight Robinson

Interim City Manager Debra DeBruhl Rose

March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Lake Forest as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.





Results:

MOE expenditures tested totaled \$1,052,994, representing approximately 81% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted one expenditure in the amount of \$9,159 was incorrectly charged to MOE and was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

The City's internal controls are designed to provide a reasonable assurance that the City complies with laws, regulations, contracts and grant agreements including the reporting of MOE expenditures. The City's internal controls over payment and reporting of MOE expenditures include multiple reviews and approvals within the Public Works and Finance departments that are designed to detect the error identified by the auditors. The City agrees the instance of non-compliance identified by the auditors resulted in an over reporting of the MOE expenditures in the amount of \$9,159. Subsequent to the auditors identifying the invoice, the City reviewed the other eleven monthly invoices for the fiscal year for the same activity and identified all invoices were entered and reported properly as MOE expenditures. The City believes the error to be isolated to the invoice identified by the auditors.

Si	ncere	ly,
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Signature: Delra Asa

Debra DeBruhl Rose Interim City Manager

Signature: Keith P. Neuld

Keith D. Neves

Deputy City Manager/Director of Finance/City Treasurer

Signature:

Thomas E. Wheeler Director of Public Works



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF NEWPORT BEACH

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Newport Beach's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$8,868,393 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (010) and General Fund Capital Project (012), under Departments Public Works (80), Municipal Operations Department (90) and Capital Improvement Projects (01). No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$19,027,594 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$19,027,594 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$8,869,837, representing approximately 47% of total MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, the City reported \$10,376,193 as indirect costs for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$2,837,670, representing approximately 27% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$5,122,641 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2015/2016	Local Fair Share (M2)	\$ 1,769,001
2014/2015	Local Fair Share (M2)	1,436,608

We agreed the fund balance of \$3,205,609 to the City's Expenditure Report (Schedule 1, line 12), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

<u>Results:</u> The City's Measure M2 Local Fair Share expenditures are recorded in Fund 122, Measure M Fair Share Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,896,070 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$1,592,309 representing approximately 84% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Laguna Hills, California

Vavinel Trie, Day; Co, Ul

March 8, 2017

510,479 3,260,738

CITY OF NEWPORT BEACH, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance:	
Overlay & Sealing - Schedule 3, line 12	\$
Other Street Purpose Maintenance - Schedule 3, line 15	
Construction:	

Street Reconstruction - Schedule 3, line 3	3,578,843
Signals, Safety Devices & Street Lights - Schedule 3, line 4	1,301,341
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	10,376,193

Total MOE Expenditures 19,027,594

Measure M2 Local Fair Share Expenditures (Schedule 4):

Maintenance of Effort (MOE) Expenditures:

Campus/San Joaquin Hills/San Miguel Overlay	1,372
Residential Overlay	180,676
Dover Drive/Westcliff Drive Pavement Rehabilitation	1,710,911
MacArthur Boulevard Pavement	3,111
Total Measure M2 Local Fair Share Expenditures	1,896,070

Total MOE and Measure M2 Local Fair Share Expenditures \$ 20,923,664

Note:

The above amounts were taken directly from the financial records of the City of Newport Beach and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF PLACENTIA

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Placentia's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$546,000 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101), under Department 36 (Public Works Maintenance Services), Division 52 (Street/Curb/Gutter). No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

<u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$994,922 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$994,922 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$520,101, representing approximately 52% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted three expenditures, totaling \$42,732, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$3,883. No other exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$1,471,814 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2015/2016	Local Fair Share (M2)	\$ 502,208
2014/2015	Local Fair Share (M2)	\$ 494,807
2013/2014	Local Fair Share (M2)	\$ 128,495

We compared the fund balance of \$1,125,510 to the City's Expenditure Report (Schedule 1, Lines 12 and 13), which reflected a balance of \$1,130,700. The Expenditure Report fund balance included \$5,190 of Senior Mobility Program funds. No other exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 210, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$30,067 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10, and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$26,122 representing approximately 87% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$23,770 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted \$23,770 reported represents direct administrative costs, no indirect costs charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavinek Trie, Dry ; Co, Col Laguna Hills, California

March 8, 2017

CITY OF PLACENTIA, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort (MOE) Expenditures:

· · · · · · · · · · · · · · · · · · ·	
Maintenance:	
Street Lights & Traffic Signals - Schedule 3, line 13	\$ 20,400
Other Street Purpose Maintenance - Schedule 3, line 15	939,600
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	-
Other - Schedule 3, line 17	34,922
Total MOE Expenditures	994,922
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Santa Fe Revitilization (62010) Old Town Parking Mangement Plan	6,297
Pavement Management Plan	23,770
Total Measure M2 Local Fair Share Expenditures	30,067
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 1,024,989

Note:

The above amounts were taken directly from the financial records of the City of Placentia and were not audited.

The People are the City

Mayor CRAIG S. GREEN

Mayor Pro Tem CHAD P. WANKE

Councilmembers: RHONDA SHADER WARD L. SMITH JEREMY B. YAMAGUCHI PLACENTIA AL ANGUCA CH City Clerk:
PATRICK J. MELIA
City Treasurer
KEVIN A. LARSON
City Administrator
DAMIEN R. ARRULA

401 East Chapman Avenue - Placentia, California 92870

March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Placentia as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$520,101, representing approximately 52% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted three expenditures, totaling \$42,732, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

We agree with the results and have corrected the problem going forward. \$38,546 of the excluded expenditures was paid to Clean City, Inc., a contractor who provided graffiti removal and downtown cleaning, including road and median work. The city terminated this contract in August of 2015. \$4,186 was paid to Traffic Management for parking lot signs. The city will revise its procedures in determining what is applicable to the MOE requirement

going forward. The city will continue to meet/exceed minimum MOE requirements in the future.

Procedure #5

We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results:

Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2016. Indirect MOE expenditure tested totaled \$3,833. No other exceptions were noted as a result of our procedures.

City's Response:

The city agrees with the indirect MOE expenditures totaling \$3,833. The city will amend its procedures going forward to include the indirect costs when determining MOE totals.

Procedure #6

We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

Results:

The City received \$1,471,814 for the past three fiscal years ended June 30, 2014, 2015 and 2016. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund
Balance		N
2015/2016	Local Fair Share (M2)	\$ 502,208
2014/2015	Local Fair Share (M2)	\$ 494,807
2013/2014	Local Fair Share (M2)	\$ 128,495

We compared the fund balance of \$1,125,510 to the City's Expenditure Report (Schedule 1, Lines 12 and 13), which reflected a balance of \$1,130,700. The Expenditure Report fund balance included \$5,190 of Senior Mobility Program funds. No other exceptions noted as a result of our procedures.

City's Response:

Going forward, the City will report both balances on the appropriate lines on the M2 Expenditure report.

Sincerely,

Title: City Manager ADMINISTRATIVE

Shally K
Meson

Title: Director of Finance

Title: Director of Public Works



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF SAN JUAN CAPISTRANO

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of San Juan Capistrano's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$390,383 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (1), under Department (8) Public Works. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.
 - <u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,342,553 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,342,553 to the amount reported on the City's Expenditure Report (Schedule 3, Line 18), noting no differences. No exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$293,191 representing approximately 13% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted one expenditure, totaling \$1,350 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. Further, we noted one expenditure totaling \$21,435 was related to street striping, and appeared allowable per the Ordinance; however, the date on the invoice was altered to reflect an invoice date of 7/1/15. We requested the original invoice to validate the time frame the work was performed, and noted upon inquiry of the City (and the City's inquiry with the vendor), the work was performed prior to July 1, 2015. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, the City reported \$864,717 as indirect costs for the fiscal year ended June 30, 2016. Indirect MOE expenditures tested totaled \$25,044, representing approximately 3% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$1,789,499 for the past three fiscal years, all for Measure M2 Local Fair Share for fiscal years ended June 30, 2014, 2015 and 2016. No exceptions were noted as a result of our procedures. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance
2015/2016	Local Fair Share (M2)	\$ 611,825
2014/2015	Local Fair Share (M2)	101,152

We agreed the fund balance of \$712,977 to the City's Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 32, Measure M Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$246,407 (see Schedule A), which agrees to the City's Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M2 Local Fair Share expenditures tested totaled \$194,463 representing approximately 79% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based upon our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, we noted indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. Indirect M2 expenditures tested totaled \$1,897, representing approximately 43% of the total indirect costs per Schedule 3, Line 1. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

<u>Results:</u> No exceptions were noted as result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavineh Txii, Dz; Co, Ul Laguna Hills, California

March 8, 2017

CITY OF SAN JUAN CAPISTRANO, CALIFORNIA **Schedule of Measure M2 Local Fair Share Expenditures** Year Ended June 30, 2016 (Unaudited)

Maintenance:	
Patching - Schedule 3, line 11	\$ 202,550
Street Lights & Traffic Signals - Schedule 3, line 13	337,543
Storm Damage - Schedule 3, line 14	75,802
Other Street Purpose Maintenance - Schedule 3, line 15	861,941
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1	864,717
Total MOE Expenditures	2,342,553
Measure M2 Local Fair Share Expenditures (Schedule 4):	
City I goal Street Dayament Dahahilitation (CID vy 105)	76 727

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City I	1	Ctmoot	Dorr		Dahahilitati	on (CII	2 105	′`

Maintenance of Effort (MOE) Expenditures:

Measure M2 Local Fair Share Expenditures (Schedule 4):	
City Local Street Pavement Rehabilitation (CIP xx105)	76,727
City Arterial Street Pavement Rehabilitation (CIP xx109)	84,301
Camino Del Avion/Ave Descanso Sidewalk Improvements (CIP 08103)	20,905
Citywide Sign Replacement Program (CIP 11101)	60,000
Bridge at Acjachema Street and La Calera Street (CIP 13102)	2,676
Traffic Signal Cabinet Upgrades (CIP 16101)	1,623
Trabuco Creek Road Improvements (CIP 10104)	175
Total Measure M2 Local Fair Share Expenditures	246,407
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 2,588,960

Note:

The above amounts were taken directly from the financial records of the City of San Juan Capistrano and were not audited.

32400 PASEO ADELANTO SAN JUAN CAPISTRANO, CA 92675 (949) 493-1171 (949) 493-1053 FAX www.sanjuancapistrano.org



MEMBERS OF THE CITY COUNCIL

SAM ALLEVATO KERRY K. FERGUSON PAM PATTERSON, ESQ. JOHN M. PERRY DEREK REEVE

March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of San Juan Capistrano as of and for the fiscal year ended June 30, 2016.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$293,191 representing approximately 13% of total MOE expenditures for the fiscal year ended June 30, 2016. As a result of our procedures, we noted one expenditure, totaling \$1,350 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. Further, we noted one expenditure totaling \$21,435 was related to street striping, and appeared allowable per the Ordinance; however, the date on the invoice was altered to reflect an invoice date of 7/1/15. We requested the original invoice to validate the time frame the work was performed, and noted upon inquiry of the City (and the City's inquiry with the vendor), the work was performed prior to July 1, 2015. However, after removing the amount from MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

Management concurs with the auditors' findings and has implemented procedures to reduce the likelihood of this occurring in the future.

Signature:

al

Benjamin Siegel, City Manager

Signature:

Ken Al-Imam, Director of Finance

Signature:

Steve May, Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES — CITY OF YORBA LINDA

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Yorba Linda's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2016. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

- 1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.
 - <u>Results:</u> The City was required to spend \$1,985,964 in MOE expenditures during the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.
- 2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.
 - <u>Results:</u> All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (001), under the Public Works Department. No exceptions were noted as a result of our procedures.
- 3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

<u>Results:</u> The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,866,048 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,866,048 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting a difference of \$436,107. The City reported \$2,429,941 as total MOE expenditures which represented budgeted amounts rather than actual. No other exceptions were noted as a result of our procedures.

- 4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

<u>Results:</u> MOE expenditures tested totaled \$409,406 representing approximately 14% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted the following expenditures were not appropriately classified as local street and road expenditures, nor were the costs allowable per the Ordinance:

- \$9,075 in costs incurred for a City Water Study.
- \$67,230 in costs incurred for the City's Landscape Maintenance Assessment District (LMAD) Transition Design Project.
- \$3,813 in overhead costs incurred for landscape irrigation for various street medians and parks.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1), explaining any differences. If applicable, we obtained detail of indirect costs charged, and selected a sample of charges for review. We reviewed the supporting documentation for reasonableness and appropriate methodology.

<u>Results:</u> Based on our review of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. Per discussions with the City's accounting personnel and review of the general ledger expenditure detail, we noted no indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2016, agreed to the balance as listed on the City's Expenditure Report (Schedule 1, lines 12 and 13), and determined whether funds were expended within three years of receipt, explaining any differences.

<u>Results:</u> The City received \$2,785,164 for the past three fiscal years, all for Measure M2 Local Fair Share for fiscal years ended June 30, 2014, 2015 and 2016. No exceptions were noted as a result of our procedures. The remaining fund balance of these funds was as follows:

Allocation Year	Funding Source	Remaining Fund Balance	
2015/2016	Local Fair Share (M2)	\$ 960,115	
2014/2015	Local Fair Share (M2)	933,270	
2013/2014	Local Fair Share (M2)	384,486	

We agreed the fund balance of 2,277,870 to the City's Expenditure Report (Schedule 1, lines 12 and 13), noting no differences. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2016. We agreed the total Local Fair Share expenditures per the general ledger to the amounts per the City's Expenditure Report (Schedule 2, lines 9 and 10, and detail listed at Schedule 4), explaining any differences.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 028, Measure M2 Turnback and Fund 008, Capital Improvements Fund. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2016 were \$1,097,910 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2 lines 9 and 10 and detail listed at Schedule 4). No exceptions were noted as a result of our procedures.

- 8. We obtained the City's Seven-Year Capital Improvement Program (CIP). We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. We selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects.

<u>Results:</u> Measure M Local Fair Share expenditures tested totaled \$1,051,327 representing approximately 96% of total Measure M Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures through review of the City's Expenditure Report (Schedule 3, line 1). If applicable, we obtained the detail of indirect costs charged, and selected a sample of charges for review, explaining any differences between detail and the Expenditure Report. We reviewed the supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2016. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. We agreed the amount per the City's records to the amount listed on the City's Expenditure Report (Schedule 2, line 10), explaining any differences.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

<u>Results:</u> We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Laguna Hills, California

Vavinel Trie, Day; Co, UP

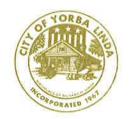
March 8, 2017

CITY OF YORBA LINDA, CALIFORNIA Schedule of Measure M2 Local Fair Share Expenditures Year Ended June 30, 2016 (Unaudited)

Maintenance of Effort (MOE) Expenditures: Maintenance:	
	¢ 222.216
Street Lights & Traffic Signals - Schedule 3, line 13	\$ 333,316
Other Street Purpose Maintenance - Schedule 3, line 15	1,617,709
Construction:	
New Street Construction - Schedule 3, line 2	789,885
Administrative/Other (Indirect & Overhead) - Schedule 3, line 1:	125,138
Total MOE Expenditures	2,866,048
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Traffic Calming (008.4.512.726)	40,923
Bastanchury - Lakeview to Eureka (008.4.512.7633)	300,000
La Palma Rehab (008.4.512.7655)	720,000
Citywide Traffic Signal Modifications/Rehab (008.4.514.7229)	36,987
Total Measure M2 Local Fair Share Expenditures	1,097,910
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 3,963,958

Note:

The above amounts were taken directly from the financial records of the City of Yorba Linda and were not audited.



CITY OF YORBA LINDA

P.O. BOX 87014

CALIFORNIA 92885-8714

March 8, 2017

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Yorba Linda as of and for the fiscal year ended June 30, 2016.

Procedure #3

We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2016 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Results:

The City's MOE expenditures for the fiscal year ended June 30, 2016 were \$2,866,048 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,866,048 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), noting a difference of \$436, 107. The City reported \$2,429,941 as total MOE expenditures which represented budgeted amounts rather than actual. No other exceptions were noted as a result of our procedures.

City's Response:

It has been the City's past practice to include amounts reported on the Maintenance of Effort Reporting Form onto the Measure M2 Expenditure Report. However during the review, it has been brought to the City's attention that actual amounts should be reported on the Measure M2 Expenditure Report rather than budgeted amounts. Therefore, in future years the City will include the actual amounts on the Measure M2 Expenditure Report.

Procedure #4

We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results:

MOE expenditures tested totaled \$409,406 representing approximately 14% of total MOE expenditures for the fiscal year ended June 30, 2016. We noted the following expenditures were not appropriately classified as a local street and road expenditure, nor were the costs allowable per the Ordinance:

- \$9,075 in costs incurred for a City Water Study.
- \$67,230 in costs incurred for the City's Landscape Maintenance Assessment District (LMAD) Transition Design Project.
- \$3,813 in overhead costs incurred for landscape irrigation for various street medians and parks.

However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement.

City's Response:

The City's historical practice has been to include the majority of the City's General Fund Public Works accounts in the Maintenance of Effort (MOE) calculation. However, recently some of these accounts have been utilized for costs related to the City's Landscape Maintenance Assessment District (LMAD) that are being funded from the City's General Fund per direction from the City Council. City staff did not update the MOE calculation methodology to specifically exclude these accounts. The Finance Department will work with the Public Works Department to implement a methodology to segregate these LMAD-related expenditures into easily-identifiable accounts, which will ensure that they are excluded from future MOE calculations.

Sincerely,

Title: City Manager

Title: Director of Public Works

Title: Director of Finance



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director

Internal Audit Department

Subject: Orange County Transportation Authority Policies and Procedures,

Internal Audit Report No. 17-507

Overview

The Internal Audit Department has completed an audit of Policies and Procedures. Based on the audit, the Orange County Transportation Authority Policies and Procedures are approved as required; however, recommendations were made to enhance controls to ensure timely updates and communications of new and revised policies and procedures, as well as improved tracking of policies and procedures.

Recommendation

Direct staff to implement three recommendations provided in Orange County Transportation Authority Policies and Procedures, Internal Audit Report No. 17-507.

Background

The General Services Department within the Finance and Administration Division is responsible for maintenance of all Orange County Transportation Authority (OCTA) policies and procedures. The Records Administrator, who is also designated as the Policies and Procedures Coordinator (PPC), is responsible for ensuring that policies follow guidelines and are reviewed, approved, and posted to the intranet. The PPC maintains a master listing of all policies and hard copy files with documentation evidencing review and approval.

The OCTA Policies and Procedures policy outlines the guidelines for the formatting, updating, communicating, and approving of all policies and procedures. These guidelines require policies to be reviewed and updated every two years. Policies must also be approved at the appropriate level. While some policies ultimately require Board of Directors (Board) approval, others may

require review by legal counsel, finance, external affairs, etc., depending on the content. Upon completion, policies are posted to the intranet.

Discussion

New and updated procedures are posted to the intranet; however, Internal Audit recommended management implement a more robust communications plan to ensure affected employees are notified. Management agreed and indicated that procedures have been updated to require an e-blast notification be sent to administrative employees each time a policy is created or updated. For employees located at the bases, notification will be provided via digital signage.

At the time of this audit, twenty four percent of all policies reflected effective dates over two years, despite a requirement to review and update policies on a bi-annual basis. Internal Audit recommended management implement procedures for notifying division managers and performing follow-up to ensure policies are updated as required. Management agreed and proposed procedures for notification and follow-up.

The master list of policies requiring Board approval is incomplete and contained inaccuracies with regard to the last revision date. Internal Audit recommended management implement controls to help ensure the accuracy and completeness of the master list of policies and procedures. Management agreed and outlined procedures for ensuring all policies are identified and tracked, including implementation of an automated system for creating, distributing, and managing policies.

Summary

The Internal Audit Department has completed an audit of OCTA Policies and Procedures.

Attachment

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

Prepared by:

Gerry Dunning

Lerry Dunning

Senior Internal Auditor, Internal Audit

714-560-5875

Approved by:

Janet Sutter

Executive Director, Internal Audit

714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Orange County Transportation Authority Policies and Procedures

Internal Audit Report No. 17-507

March 9, 2017



Performed by: Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor

Distributed to:

Janet Sutter, CIA, Executive Director Internal Audit

Andrew Oftelie, Executive Director, Finance and Administration

Sean Murdock, Director Finance and Administration Lori Parsel, Section Manager, General Services

Kathy O'Connor, Records Administrator, General Services

Table of Contents

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Background	1
Objectives, Scope, and Methodology	1
Audit Comments, Recommendations and Management Responses	3
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Timeliness of Policies and Procedures Updates	3
Board Approved Policies Tracking	4

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of controls in place to ensure proper development, update, and communication of policies and procedures. Based on the audit, policies and procedures are approved as required; however, recommendations were made to enhance controls to ensure timely update and communication of new and revised policies and procedures; as well as improved tracking of policies and procedures.

Background

The General Services Department within the Finance and Administration Division is responsible for maintenance of all Orange County Transportation Authority (OCTA) policies and procedures. The Records Administrator is also designated as the Policies and Procedures Coordinator (PPC), responsible for ensuring that policies follow guidelines and are reviewed, approved, and posted to the intranet. The PPC maintains a master listing of all policies and hard copy files with documentation evidencing review and approval of the policies.

The OCTA Policies and Procedures policy outlines the guidelines for the formatting, updating, communicating, and approving of all policies and procedures. These guidelines require policies to be reviewed and updated every two years. Policies must be approved at the appropriate level; some require Board of Directors (Board) approval, others require review by legal counsel, finance, external affairs, etc. depending on the content. Once completed, policies are posted to the intranet.

Objectives, Scope, and Methodology

The <u>objectives</u> were to assess the adequacy and effectiveness of controls to ensure proper development, update, and communication of OCTA policies and procedures.

The <u>methodology</u> consisted of testing a sample of policies and procedures for proper approval, timely update, and communication to applicable employees. Tests consisted of judgmental samples with a bias to obtain multi-divisional coverage. To test timely update to policies, all policies and the related revision dates as listed on the master list of policies and procedures were analyzed. A judgmental sample of policies not updated for over eight months past the two year requirement was selected for review of evidence of notification and follow-up with the respective divisions. For any judgmental samples, conclusions are limited to the sample items tested since sampling is non-statistical.

The <u>scope</u> was limited to OCTA policies and procedures, as reflected on the intranet and the master listing maintained by the PPC. For testing of Board approved policies, the scope was limited to policies approved by the Board during the period from January 2015 through December 2016.

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.

Audit Comments, Recommendations, and Management Responses

Communication of Policies and Procedures

Procedures do not include guidelines for communicating new and/or revised policies to employees. While all policies are posted to the intranet, a more robust communication should be made in order to ensure that employees affected by the policy are informed.

Recommendation 1:

Internal Audit recommends management 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.

Management Response:

Management agrees with the recommendation and has taken the following steps to ensure communication is made to all employees when new policies are created or existing policies are updated. The OCTA Policies and Procedures (EO-GS-310.01OCTAPP) has been updated to include language that an e-blast notification will be sent to administrative employees each time a policy is created or updated. For employees located at the bases, OCTA will notify employees via digital signage.

Timeliness of Policies and Procedures Updates

At the time of the audit, twenty four percent of all policies reflected effective dates over two years, despite a requirement to review and update policies on a bi-annual basis. Notice to division managers and regular follow-up to ensure update of policies is not being performed.

Recommendation 2:

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.

Management Response:

Management agrees with the recommendation and will take the following steps to ensure that policies are updated on the mandated two year cycle. A list of policies requiring revision will be submitted to each Executive Director in January of each year and follow up will be done quarterly at Executive Steering Committee Meetings, which include all Executive Directors, to ensure that policies are maintained in compliance with the policy.

Board Approved Policies Tracking

The master list of Board-approved policies is incomplete and inaccurate with regard to the last revision date of policies listed.

Recommendation 3:

Management should implement controls to help ensure the accuracy and completeness of the master list of policies and procedures.

Management Response:

Management agrees with the recommendation and will take the following steps to ensure that the master list of policies and procedures is maintained with accuracy and completeness. On a quarterly basis, at Executive Steering Committee meetings, staff will ask Executive Directors for any new policies that have been or are in the process of being developed in order to ensure that all new policies and procedures are included in the Master List. In order to more effectively manage the maintenance of policies, General Services will be implementing an automated system to create, distribute, and manage policies and procedures. The system will help manage all aspects of policy maintenance, including templates, distribution, digital sign offs, tracking assignments, policy management, reports and logs, version history, and controlled access.



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Award of Sole Source Agreement with Xerox Corporation for Ink,

Parts, Supplies, Printing, Equipment Repair, and Maintenance

Overview

The Orange County Transportation Authority's print shop utilizes Xerox manufactured equipment to complete the majority of print requirements for various departments within the organization. Due to the increase in print volume, a new sole source purchase order is required in order to accommodate the increased usage of the Xerox 800 color press through the end of fiscal year 2016-17.

Recommendation

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.

Background

The Orange County Transportation Authority's (OCTA) Print and Reprographics shop within the General Services Department produces print jobs for a variety of items such as Board of Directors (Board) agendas, service change information, rider alerts, marketing materials, outreach information, financial documents, Measure M2 (M2) materials, forms, business cards, and letterhead. OCTA's Print and Reprographics shop utilizes Xerox Corporation's (Xerox) production equipment to meet the reprographic requirements of OCTA. The Xerox production equipment utilized for the various print jobs includes a Xerox Docutech 6135 (2003) black and white copier, Xerox Nuvera 120 (2007) black and white copier, a Xerox 800 (2013) color press, and a Xerox 1000i (2016) color press. OCTA has sole source agreements with Xerox to provide maintenance for each of the Xerox copiers owned by OCTA. As part of the maintenance agreements, Xerox provides ink, parts, supplies, and all maintenance, including

the cost of labor for repairs of each copier/color press. Xerox invoices OCTA a flat rate on a monthly basis for maintenance and a separate fee based on the number of prints produced by each machine.

Discussion

During fiscal year (FY) 2016-17, demand for printing on the Xerox 800 has exceeded forecasted volume. Staff anticipated an average monthly volume of 150,000 impressions, but is experiencing significantly higher volumes due to outreach efforts for OCTA's bus and M2 programs. The bus program has had large outreach efforts related to the OC Bus 360° Program, fare policy changes, as well as service change information. The M2 Program has seen increased outreach efforts for the OC Streetcar and Interstate 405 Freeway Improvement Project.

Year-to-date volume on the Xerox 800 is approximately 240,000 impressions per month. Based on the FY 2016-17 forecasted print volume for the Xerox 800 color press, a sole source purchase order in the amount of \$95,000 is required for continued ink, parts, supplies, maintenance, repair, and print costs through June 30, 2017.

Procurement Approach

This procurement was handled in accordance with OCTA Board-approved policies and procedures for a sole source procurement. Xerox is the manufacturer and exclusive owner of all proprietary rights for Xerox printers. Therefore, Xerox is the sole entity to provide maintenance and repair of the Xerox 800 color press. Awarding this contract to Xerox would allow the Print and Reprographics shop to continue producing print jobs for OCTA. Based on their technical ability and financial status, Xerox is deemed responsible.

Xerox's proposal was reviewed by staff from the Contracts Administration and Materials Management Department (CAMM) and the General Services Department to ensure compliance with the contract terms and conditions, as well as the technical requirements.

In accordance with OCTA's sole source procurement procedures, a sole source procurement over \$50,000 requires OCTA's Internal Audit Department (Internal Audit) to conduct a price review of Xerox's proposed pricing. CAMM used recommendations from Internal Audit as the basis for negotiations with Xerox, resulting in an annual cost savings of approximately \$14,634, or

approximately ten percent of the prices initially quoted. Based on the above, this award is recommended to Xerox.

Fiscal Impact

The project was included in the FY 2016-17 budget as part of the OCTA Licensing and Maintenance Agreements Sole Source List. Funds are available within the current budget to accommodate this request.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute sole source 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.

Attachment

None

Prepared by:

Lori Parsel Section Manager General Services 714-560-5829

Virginia Abadessa

Director, Contracts Administration and

Materials Management

714-560-5623

Approved by:

Andrew Oftelie Executive Director,

Finance and Administration

714-560-5649



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt

Programs Report - February 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 February 28, 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 February 28, 2017, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.5 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 yield for the OCTA portfolio is 1.24 percent.

OCTA's debt portfolio had an outstanding principal balance of \$427 million as of February 28, 2017. Approximately 74.5 percent of the outstanding balance is comprised of M2 debt and 25.5 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 February 28, 2017.

Attachment

A. Orange County Transportation Authority Investment and Debt Programs – For the Period Ending February 28, 2017.

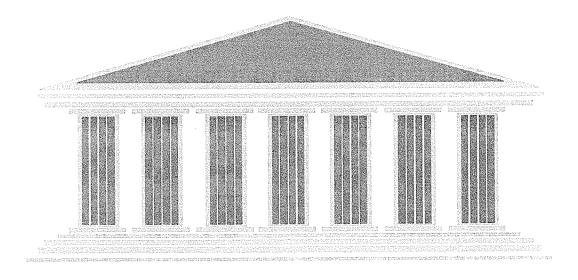
Prepared by:

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

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

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 February 28, 2017

INVESTMENT PROGRAM

Investment Profile As of 2/28/17

Portfolio Manager	<u>Depository</u>	Role	Type of Investment	Amount (\$ Millions)
ACTIVELY MANAGED INVESTMENTS				
JP Morgan State Street Global Advisors Payden & Rygel Investment Counsel Western Asset Management	Union Bank Union Bank Union Bank Union Bank	Custodian Custodian Custodian Custodian	Short-Term Operating Short-Term Operating Short-Term Operating Short-Term Operating	324.7 324.4 324.8 324.2
POOLED INVESTMENTS				
California State Treasurer Orange County Treasurer	LAIF OCIP	Custodian Custodian	Liquid Legal Requirement	10.2 0.0
CASH INVESTMENTS				
OCTA	BNY Mellon	Trustee	Liquid	73.9
OCTA	Bank of the West	Broker	Liquid	39.7
OCTA	U.S Bank	Trustee	Liquid	0.0
DEBT SERVICE RESERVE FUNDS				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	10.9
91 Express Lanes 2013 Ref. Bonds 91 Express Lanes 2013 Ref. Bonds Bank Deposits/Cash	Bank of the West Bank of the West	Trustee Trustee	Negotiable CD Negotiable CD	10.0 3.0 0.1
TOTAL				\$1,445.8

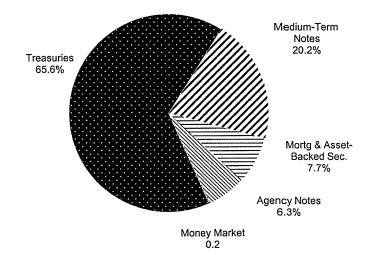
Short-Term Portfolio - \$1.3 Billion

As of 2/28/17 Part 1 of 2

JP Morgan

Book Value \$ 324,688,350

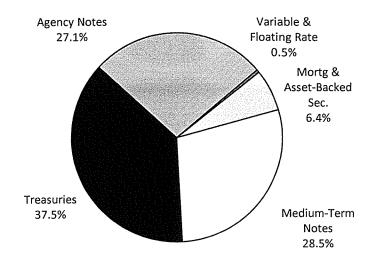
Market Value \$ 322,082,614



State Street Global

Book Value \$ 324,390,136

Market Value \$ 323,525,426



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$1.3 Billion As of 2/28/17 Part 2 of 2

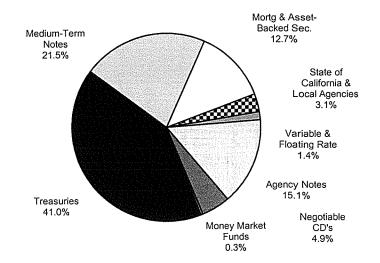
Payden & Rygel

Book Value

\$ 324,815,103

Market Value

\$ 323,886,971



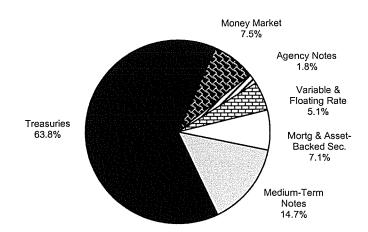
Western Asset Management

Book Value

\$ 324,177,065

Market Value

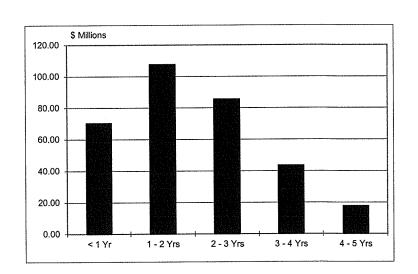
\$ 323,600,882



Short-Term Portfolio Maturity Schedule As of 2/28/17

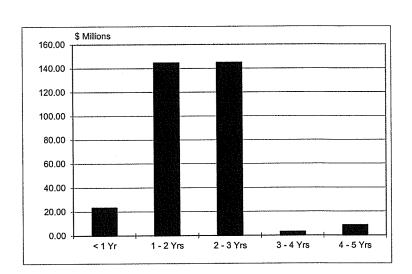
JP Morgan (\$324.7 M)

Monthly Return	0.15%
TSY Benchmark	0.10%
Gov/Corp Benchmark	0.14%
Fiscal YTD Return	-0.20%
TSY Benchmark	-0.31%
Gov/Corp Benchmark	-0.16%
·	
12 Month Return	0.60%
TSY Benchmark	0.39%
Gov/Corp Benchmark	0.69%



State Street Global (\$324.4 M)

Monthly Return	0.18%
Benchmark Comparison	0.10%
Gov/Corp Benchmark	0.14%
Fiscal YTD Return	-0.12%
TSY Benchmark	-0.31%
Gov/Corp Benchmark	-0.16%
12 Month Return	0.74%
TSY Benchmark	0.39%
Gov/Corp Benchmark	0.69%

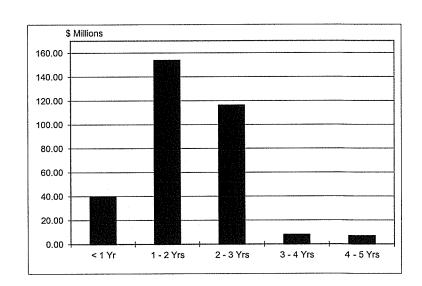


100	Yield Curve C	Change	
	From 1/31/17 to	o 2/28/17	4
	<u>1/31/17</u>	2/28/17	<u>Change</u>
1 Year	0.762%	0.823%	0.0610%
2 Year	1.206%	1.262%	0.0560%
3 Year	1.463%	1.520%	0.0570%
5 Year	1.914%	1.930%	0.0160%
30 Year	3.062%	2.996%	-0.0660%

Short-Term Portfolio Maturity Schedule As of 2/28/17

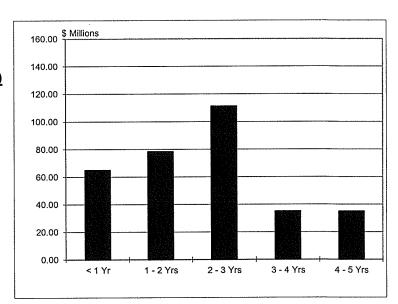
Payden & Rygel (\$324.8 M)

Monthly Return	0.14%
TSY Benchmark	0.10%
Gov/Corp Benchmark	0.14%
Fiscal YTD Return	0.11%
TSY Benchmark	-0.31%
Gov/Corp Benchmark	-0.16%
12 Month Return	0.85%
TSY Benchmark	0.39%
Gov/Corp Benchmark	0.69%



Western Asset Management (\$324.2 M)

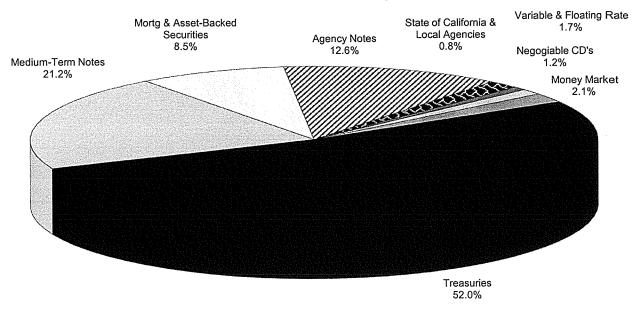
Monthly Return	0.14%
TSY Benchmark	0.10%
Gov/Corp Benchmark	0.14%
Fiscal YTD Return	-0.23%
TSY Benchmark	-0.31%
Gov/Corp Benchmark	-0.16%
12 Month Return	0.74%
TSY Benchmark	0.39%
Gov/Corp Benchmark	0.69%



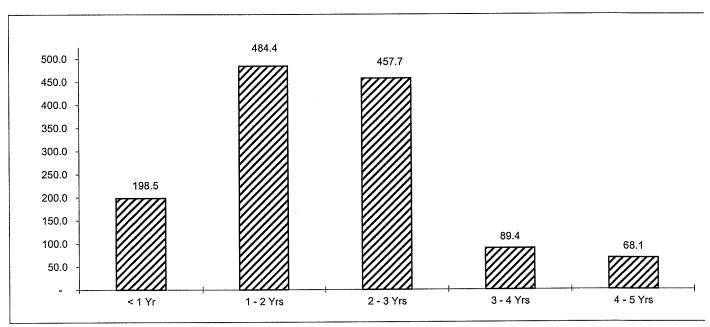
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Yield Curve From 1/31/17		
	<u>1/31/17</u>	<u>2/28/17</u>	<u>Change</u>
1 Year	0.762%	0.823%	0.0610%
2 Year	1.206%	1.262%	0.0560%
3 Year	1.463%	1.520%	0.0570%
5 Year	1.914%	1.930%	0.0160%
30 Year	3.062%	2.996%	-0.0660%

Short-Term Portfolio As of 2/28/17

Total Portfolio Composition

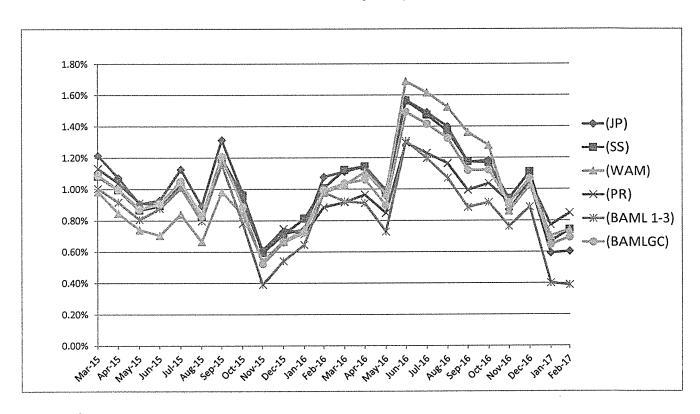


Total Portfolio Maturity Schedule



Short-Term Portfolio PerformanceAs of 2/28/17

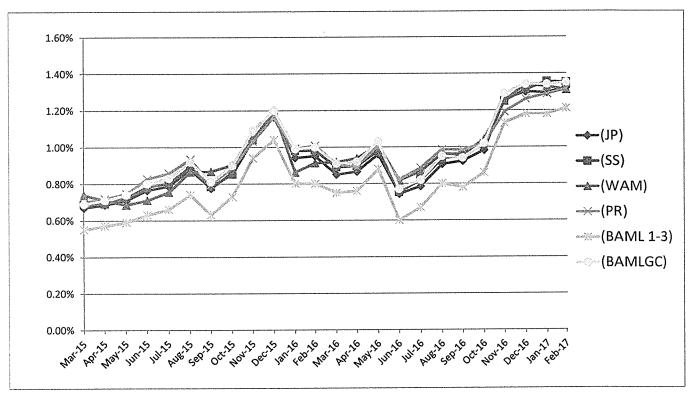
Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



•						
	JP	State	Western	Payden &	BAML	BAML 1-3 Yr
	Morgan	Street	Asset Mgmt	Rygel	1-3 Yr Trsy	Gov/Corp
	<u>(JP)</u>	<u>(SS)</u>	<u>(WAM)</u>	<u>(PR)</u>	(BAML 1-3)	(BAMLGC)
Mar-15	1.21%	1.08%	0.98%	1.13%	1.00%	1.09%
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%

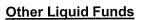
Comparative Yield Performance As of 2/28/17

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



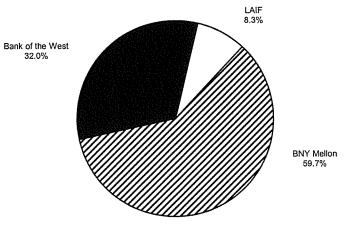
					5444	DAME 4.03/6
	JP	State	Western	Payden	BAML	BAML 1-3 Yr
	Morgan	Street	Asset Mgmt	Rygel	1-3 Yr Trsy	Gov/Corp
	<u>(JP)</u>	<u>(SS)</u>	(WAM)	<u>(PR)</u>	(BAML 1-3)	(BAMLGC)
Mar-15	0.67%	0.69%	0.74%	0.70%	0.55%	0.69%
Apr-15	0.69%	0.69%	0.71%	0.72%	0.57%	0.71%
May-15	0.71%	0.73%	0.69%	0.75%	0.59%	0.74%
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%
	,5					

Liquid Funds Portfolio - \$123.8 M As of 2/28/17



Book Value \$ 123,767,177

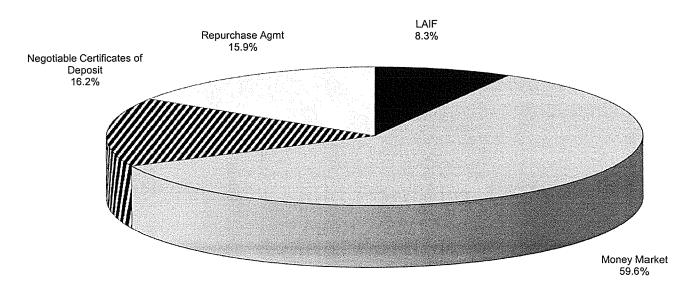
Market Value \$ 123,767,177



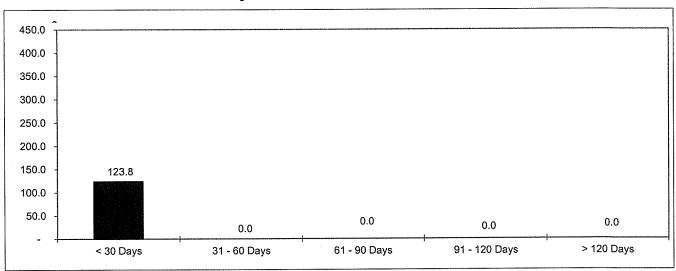
	Yield Curv From 1/31/1		7 N. J.
	1/31/17	2/28/17	<u>Change</u>
1 Month	0.464%	0.428%	-0.0360%
3 Month	0.515%	0.607%	0.0920%
6 Month	0.633%	0.740%	0.1070%

Liquid Portfolio As of 2/28/17

Total Portfolio Composition

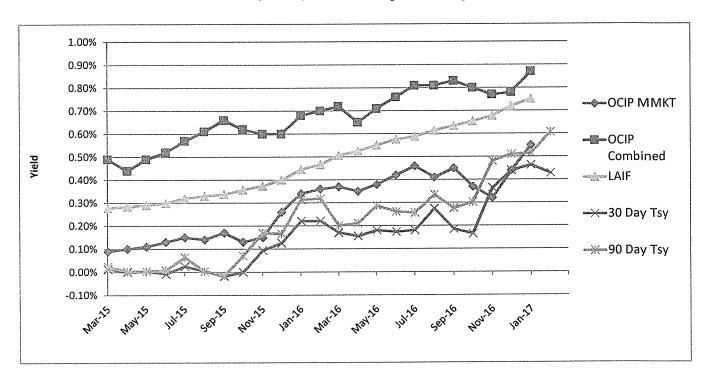


Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance As of 2/28/17

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



	OCIP MMKT	OCIP Combined	<u>LAIF</u>	30 Day Tsy	90 Day Tsy
Mar-15	0.09%	0.49%	0.28%	0.01%	0.02%
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	N/A	N/A	N/A	0.43%	0.61%

Investment Policy Compliance As of 2/28/17

Investment Instruments	Dollar Amount <u>Invested</u>	Percent Of Portfolio	Investment Policy Maximum <u>Percentages</u>
U.S. Treasuries	674,564,038	46.7%	100%
Federal Agencies & U.S. Government Sponsored *	163,017,725	11.3%	100%
State of California & Local Agencies	10,036,645	0.7%	25%
Money Market Funds & Mutual Funds	100,535,539	7.0%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	35,903,952	2.5%	30%
Commercial Paper	23,859,631	1.7%	25%
Medium Term Maturity Corporate Securities	275,444,720	19.1%	30%
Mortgage and Asset-backed Securities	109,749,494	7.6%	10%
Repurchase Agreements	19,669,171	1.4%	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)	33,568	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	22,649,038	1.6%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	79,580	0.0%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,445,777,276	100.0%	

^{*} See attached page for a detailed listing of this category

Investment Policy Compliance As of 2/28/17

Detail Composition

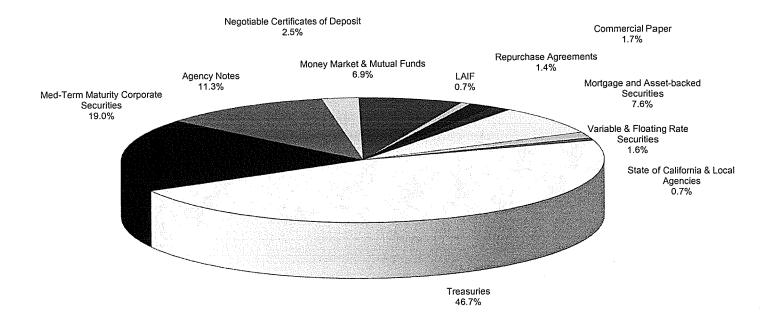
Investment Instruments	Dollar Amount <u>Invested</u>	Percent Of Total Portfolio	Investment Policy <u>Guidelines</u>
Federal Agencies & U.S. Government Sponsored			
Federal Home Loan Bank (FHLB)	36,190,021	2.5%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	68,320,861	4.7%	35%
Federal National Mortgage Association (FNMA)	87,751,355	6.1%	35%
Federal Housing and Urban Development	<u>1,000,000</u>	0.1%	35%
	193,262,237 *	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	242	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	26,705,041	1.8%
Fidelity Treasury Obligations MMF	64,925,990	4.5%
Federated Treasury Obligations Fund	<u>8,904,266</u>	0.6%
	100,535,539	7.0%

Investment Allocation As of 2/28/17



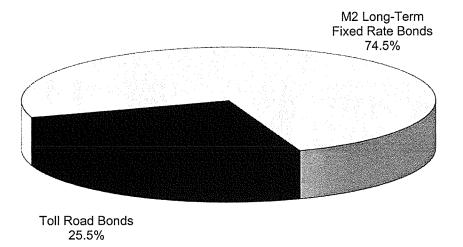
Negative Credit Watch As of 2/28/17

Manager / Security	Par Amount	Maturity	S&P	Moody's	Fitch Ratings
JPM					
McDonalds	250,000	Various	BBB+	Baa1	BBB+
Removed from negative cre	dit watch, but no ion	ger within inve	stment Polic	y guideimes.	
Bayer US Financial	,	10/8/2019	A-	A3	NA
During May, Standard & Poof for possible downgrade.	or's and Moody's pla	ced the long-te	erm ratings o	f Bayer Financi	al under review
Payden & Rygel					
Qualcom		5/18/2018	A+	A1	NR
During October, Standard a possible downgrade.	nd Poor's and Mood	y's placed the	long-term rat	ings of Qualco	m under review for
Western Asset					
Qualcom	1,250,000	Various	A+	A1	NR
During October, Standard a possible downgrade.	nd Poor's and Mood	y's placed the	long-term rat	tings of Qualco	m under review for

DEBT PROGRAM

Total Outstanding DebtAs of 2/28/17

Outstanding Debt



TOTAL OUTSTANDING DEBT: \$427,140,000

Outstanding Debt As of 2/28/17

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



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Local Transportation Fund Claims for Fiscal Year 2017-18

Overview

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

Recommendation

Adopt Orange County 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.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transit and transit-related projects. The funding source consists of two parts: the Local Transportation Fund (LTF), which is derived from a 1/4 cent of the current retail sales tax of 7.75 percent in Orange County, and the State Transit Assistance Fund, which is generated from the sales tax on diesel and funded through the Public Transportation Account.

The LTF revenues are collected by the State Board of Equalization and returned monthly to local jurisdictions based on the volume of sales during each month. In Orange County, the LTF receipts are deposited in the Orange County LTF account at the Orange County Treasury and administered by the Orange County Auditor-Controller. LTF receipts are distributed by the Orange County Auditor-Controller among the various administrative, planning, and program apportionments as specified in the TDA.

Discussion

Section 6630 of the California Code of Regulations requires Orange County Transit District (OCTD) to file a claim with the Orange County Transportation Authority (OCTA) in order to receive an allocation from the LTF for providing public transportation services (Article 4 claims). Since the OCTA has previously designated the OCTD as the consolidated transportation service agency for Orange County, the OCTD is also required to file a claim with the OCTA in order to receive an allocation from the LTF for operating community transit services (Article 4.5 claims). The total amount of these claims for fiscal year 2017-18 equals \$154,396,203.

Summary

The LTF provides funds to the OCTD for public transit services. In order to receive these funds, the OCTD must file the appropriate LTF claims with the OCTA. Staff recommends the OCTA Board of Directors adopt the OCTD Resolution No. 2017-013 to authorize the filing of these claims.

Attachment

A. Resolution of the Orange County Transit District, Authorizing the Filing of Local Transportation Fund Claims

Prepared by:

Rene Vega

Grants and Revenue Manager, Financial Planning and Analysis

(714) 560-5702

Approved by:

Andrew Oftelie Executive Director.

Finance and Administration

(714) 560-5637

RESOLUTION OF THE ORANGE COUNTY TRANSIT DISTRICT

AUTHORIZING THE FILING OF LOCAL TRANSPORTATION FUND CLAIMS

WHEREAS, the Orange County Local Transportation Fund was created by the Transportation Development Act (SB 325:1971) to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Local Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority to allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under the California Transportation Development Act, Article 4, and for funding community transit services as described under the California Transportation Development Act, Article 4.5.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED thi	s 27 th day of March 2017.
AYES:	
NOES:	
ABSENT:	
ATTEST:	
Laurena Weinert Clerk of the Board	Michael Hennessey, Chair Orange County Transit District

OCTD Resolution No. 2017-013



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Amendments to the 91 Express Lanes Three-Party Operating

Agreement and Facility Agreement

Overview

The Riverside County Transportation Commission anticipates opening the 91 Express Lanes extension in spring of 2017. As the opening date approaches, a number of agreements need to be amended to account for the joint operations. Among the effected agreements are the three-party operating agreement between the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., as well as the Riverside County Transportation Commission / Orange County Transportation Authority Facility Agreement.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and 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 negotiate and 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 negotiate and execute Amendment No. 2 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.

Discussion

Cofiroute USA, LLC., (CUSA) developed and deployed the 91 Express Lanes' back office/account management system referred to as the Revenue and Account Management System (RAMS). The functionalities of RAMS include toll processing of lane system data, operational processing of data for toll and trip calculation, automated replenishment of customer accounts, financial processes and reporting, violation processing based on images captured, and other general accounting functions and reports. In return for the development of the software, the operating agreement (Existing Operator Agreement) with CUSA was amended in 2011 to include two five-year extension periods: July 2011 through June 2016 for the first period and from July 2016 through June 2021, as well as the inclusion of a software maintenance agreement, a license agreement, and an escrow agreement pertaining to RAMS.

With the extension of the 91 Express Lanes into Riverside County, the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) entered into a three-party operating agreement with CUSA to provide management and operational services for the 91 Express Lanes. The three-party operating agreement was approved by the OCTA Board of Directors (Board) in May 2013. Similar to the Existing Operator Agreement, the three-party operating agreement anticipated the inclusion of the software maintenance agreement, license agreement, and escrow agreement for RAMS (RAMS Ancillary Agreements), upon final negotiation. In order to process transactions from the Riverside County portion of the 91 Express Lanes, CUSA made modifications to RAMS.

During the past several months, staff from each respective agency have met to discuss and negotiate the terms of the RAMS Ancillary Agreements. These agreements will be incorporated into the three-party agreement, which replaces the Existing Operator Agreement once RCTC opens the toll lanes to traffic. RCTC is expected to open its portion of the 91 Express Lanes on March 20, 2017. When the three-party agreement was being negotiated, annual estimated costs in the amount of \$803,613 for software maintenance and \$175,000 for the license agreement were included in the baseline calculation of the monthly amount due to CUSA. The parties acknowledged the estimates were subject to final concurrence on the amendment to the RAMS Ancillary Agreements. The agencies have reached the negotiated amount of \$687,435 for the RAMS software maintenance, subject to a two percent annual escalation, and \$175,000 for the license agreement. The cost for both services will be shared equally with RCTC. OCTA is currently paying \$413,861 for software maintenance and \$100,000 for the license agreement under the Existing

Operator Agreement. An amendment to the three-party agreement is needed to address the reduced amounts, as well as the inclusion of the RAMS Ancillary Agreements. RCTC has presented Amendment No. 2 to Agreement No. C-3-1529 in draft form to its commission and has received approval. Approval of draft Amendment No. 2 by RCTC's commission prompted the decision to issue a separate amendment to address the maintenance and support services for the 91 Express Lanes Electronic Toll and Traffic Management systems as described below.

In addition to providing maintenance to RAMS, CUSA has been responsible for the maintenance and support of the Electronic Toll and Traffic Management System (ETTM) for OCTA and will continue to provide these services to both agencies upon RCTC's opening. The ETTM system is responsible for the identification and capturing of vehicle information for customer account billing or violation processing. Staff has negotiated the amount of \$2,931,756 for the period April 1, 2017 through June 30, 2021, with OCTA's share comprising of \$1,302,562 due to fewer gantries on OCTA's portion of the 91 Express Lanes. OCTA's annual rate for the first full-term will be \$250,262 and is subject to a two percent escalation each year. As part of the \$1,302,562, staff has negotiated the amount of \$209,741 to cover contingencies for enhancements and modifications, such as the configuration of the ETTM system for the transition of the Title 21 protocol to 6C protocol. Although the maintenance period is over four years, the terms allow for staff to renew on a yearly basis until June 30, 2021. Since staff plans to replace the ETTM system within the next few years, the full amount of \$1,302,562 will more than likely not be utilized. Currently, OCTA is paying \$363,720 for the operational day-to-day support under the Existing Operator Agreement. A draft form of Amendment No. 3 to Agreement No. C-3-1529 was recently approved by RCTC's commission.

In order to facilitate the exchange of funds between the two agencies, the Riverside County Transportation Commission / Orange County Transportation Authority Facility Agreement (ROFA) was executed in November 2015. This agreement prescribes the funding transfers between the two agencies for costs incurred for the rent, leasehold improvements, and any shared operational expenses in relation to the 91 Express Lanes. Staff has identified shared operational expenses and has assigned responsibility for the administration and payment of these expenses. An amendment to the ROFA is required in the amount of \$431,308, to reimburse RCTC for joint operating costs incurred through June 30, 2018 by RCTC. Moving forward, both agencies will establish an annual fiscal year amount for the funding and payment of joint operating costs by January 15th of each year, and will return to each respective authoritative body for final approval. RCTC has presented Amendment No. 2 to

Agreement No. C-5-3828 in draft form to its commission and has received approval.

Fiscal Impact

Funding for Amendment No. 3 to Agreement No. C-3-1529 is included in OCTA's Fiscal Year 2016-17 Budget, 91 Express Lanes Account 0036-7350-B0100-A5H, and will be included in the 91 Express Lanes budget for the subsequent years. Funding for Amendment No. 2 to Agreement No. C-5-3828 is included in OCTA's Fiscal Year 2016-17 Budget, 91 Express Lanes Account, under various line items and will be included in OCTA's Fiscal Year 2017-18 Budget, 91 Express Lanes.

Summary

Staff recommends the Board authorize the Chief Executive Officer to negotiate and 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, maintenance and escrow agreements, and execute Amendment No. 3 to the same agreement, in the amount of \$1,302,562, for the maintenance and support services for the 91 Express Lanes Electronic Toll and Traffic Management Systems. In addition, staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 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.

Attachments

- A. Three-Party Operating Agreement No. C-3-1529 Fact Sheet
- B. Riverside County Transportation Commission Orange County Transportation Authority Facility Agreement No. C-5-3828 Fact Sheet

Prepared by:

Approved by:

Kirk Avila General Manager, 91 Express Lanes (714) 560-5674 Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649

Virginia Abadessa

Director, Contracts Administration and Materials Management

(714) 560-5623

Three-Party Operating Agreement No. C-3-1529 Fact Sheet

- 1. May 24, 2013, Agreement No. C-3-1529, \$30,594,517, approved by the Board of Directors (Board).
 - Cofiroute USA, LLC (CUSA) to provide management and operational services for the 91 Express Lanes.
 - Agreement to be effective upon Riverside County Transportation Commission's (RCTC) Actual Opening Date of the 91 Express Lanes extension in Riverside County.
- 2. December 14, 2016, Amendment No. 1 to Agreement No. C-3-1529, \$0.00, approved by Contracts Administration and Materials Management Department.
 - Removed certain services associated with the Customer Assistance Specialist role from the joint statement of work and re-assigned those services to the Orange County Transportation Authority's statement of work as requested by RCTC.
 - Revised RCTC's statement of work to remove the pre-operation costs related to Customer Assistance Specialist and include terms regarding maintenance vehicles to be acquired by CUSA.
- 3. March 27, 2017, Amendments Nos. 2 and 3 to Agreement No. C-3-1529, \$1,302,562, pending approval by the Board.
 - Amendment No. 2 for inclusion of the joint software license, software maintenance and escrow agreements.
 - Amendment No. 3 for maintenance and support services for the 91 Express Lanes Electronic Toll and Traffic Management systems.

Total committed to Agreement No. C-3-1529: \$ 31,897,079

Riverside County Transportation Commission – Orange County Transportation Authority Facility Agreement No. C-5-3828 Fact Sheet

- 1. November 4, 2015, Agreement No. C-5-3828, \$0.00, approved by Contracts Administration and Materials Management Department (CAMM).
 - Facility Agreement to implement certain portions of the Cooperative Agreement dated December 16, 2011, pertaining to the lease, expansion, and joint use of the Toll Related Facilities.
- 2. September 28, 2015, \$1,156,654, approved by Board of Directors (Board).
 - Authorized payment to the Riverside County Transportation Commission for reimbursement of tenant improvements for the 91 Express Lanes Anaheim Office.
- 3. October 26, 2016, Amendment No. 1 to Agreement No. C-5-3828, \$0.00, approved by CAMM.
 - Amendment set forth terms pertaining to the construction of tenant improvements to, and the payment of rent for, the Customer Service Center in conjunction with operation of the RCTC 91 Express Lanes.
- 4. March 27, 2017, Amendment No. 2 to Agreement No. C-5-3828, \$431,308, pending approval by the Board.
 - Amendment for the reimbursement of shared operational expenses for the 91 Express Lanes through June 30, 2018.

Total committed to Agreement No. C-5-3828: \$1,587,962.

1



March 22, 2017

To:

Finance and Administration Committee

Darrell Johnson Ct From:

Subject: Security and Privacy Liability Insurance Coverage

Overview

The Orange County Transportation Authority currently has security and privacy liability insurance policies with National Union Fire Insurance Company of Pennsylvania and Chubb North American Commercial Insurance Company. These policies are renewed annually on the first of November.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) has purchased security and privacy insurance since November 1, 2010. Currently, OCTA has two policies each with \$5 million in policy coverage limits, subject to a \$100,000 deductible.

Discussion

Historically, insurance policies of this type were called cyber insurance because the coverage was mostly limited to protection of computer systems and networks. As companies and organizations became more interconnected through computer systems and networks, insurance companies began enhancing the coverage to include liability protection.

OCTA's current policies provide \$10 million to protect against lawsuits filed by customers or other parties resulting from disclosure of personal information caused by security and privacy breaches. Such claims may allege invasion of privacy, libel, slander, or infringement of copyright and intellectual property In addition, OCTA's current policies provide coverage for the reimbursement of expenses including:

- Business Income and Extra Expense
- Loss of Data Expense
- Privacy Notification Expense
- Cyber Extortion Expense
- Regulatory Defense Costs
- Crisis Management Expense

Business Income and Extra Expense Coverage

This coverage provides income and expenses lost due to a full or a partial shutdown of a computer system or network as a result of a hacker attack, a computer virus or other causes by external forces. This coverage has a twelve hour waiting period in addition to the overall \$100,000 policy deductible.

Loss of Data Expense Coverage

This coverage provides a reimbursement of the cost of restoring and reconstructing the data that was lost or damaged as a result of a hacker attack, a computer virus, or other causes by external forces.

Privacy Notification Expense Coverage

Under California Civil Code 1798.29(a) and 1798.82(a), a business or state agency is required to notify any California resident whose unencrypted personal information was acquired, or reasonably believed to have been acquired, by an unauthorized person. In addition, any person or business that is required to issue a security breach notification to more than 500 California residents as a result of a single breach of the security system shall electronically submit a single sample copy of that security breach notification, excluding any personally identifiable information, to the Attorney General. A breach of the security of a system means any unauthorized acquisition of computerized data that compromises the security, confidentiality, or integrity of personal information maintained by the person or business.

The privacy notification expense coverage includes the support of the insurer by providing expertise to assure full compliance by the insured with any State or other applicable notification laws. It also includes reimbursement of the cost of notifying anyone whose personal information was believed to be, or actually was acquired by an unauthorized person.

Cyber Extortion Expense Coverage

This coverage provides reimbursement of expenses associated with a cyber extortion threat. This includes coverage in the event that an extortionist threatens to exploit a security flaw in a computer system or attack the computer system unless the extorted party pays a sum of money demanded by the extortionist.

Regulatory Defense Cost Coverage

This coverage provides reimbursement of legal defense costs, fines, or penalties imposed that are associated with actual or potential unauthorized access to private information.

Crisis Management Expense Coverage

This coverage provides reimbursement of the cost of engaging the services of forensic and public relations consultants in the aftermath of a cyber event.

Summary

The Orange County Transportation Authority purchases \$10 million of security and privacy insurance, subject to a \$100,000 deductible to cover liability claims and to reimburse OCTA for expenses incurred as a result of external forces causing a computer system breach.

Attachment

None.

Prepared by:

Al Gorski Department Manager Risk Management 714-560-5817 Approved by:

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



March 22, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Update on the Day Pass Promotion

Overview

The Board of Directors approved a six-month promotional reduction in the price of the day pass in order to support ongoing efforts to improve ridership on the fixed-route bus system. As the six months nears an end, staff has evaluated the initiative and determined it has not met its objective of attracting new riders and it also has resulted in significant impacts on fare revenue. It is recommended that the promotion be discontinued at the end of the promotional period on April 9, 2017.

Recommendation

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.

Background

The Board of Directors (Board) approved a six-month promotional reduction in the price of the day pass on August 10, 2016, in order to support ongoing efforts to improve ridership on the fixed-route system. The price of the day pass was reduced from \$5.00 to \$4.00 effective with the October 9, 2016, service change. Based on results from a fare study completed in May 2016, the objective was to increase ridership by 600,000 boardings during the promotional period. The fare study also estimated that, due to the \$1.00 decrease in the price of the day pass, fare revenue from the day pass would decrease by \$1,100,000 during the promotional period. The Board approved the use of Low Carbon Transit Operations Program (LCTOP) funds to backfill the estimated loss in fare revenue during the promotional period. The promotional period is scheduled to end on April 9, 2017.

Discussion

Staff evaluated the impact of the promotion by comparing ridership during the promotional period from October 9, 2016 through February 28, 2017, to

ridership from the prior year period of October 2015 through February 2016. The prior year period was used as a basis for comparison to eliminate the impacts of seasonality in the ridership data. Ridership was compared using average weekday, Saturday, and Sunday boardings to normalize the data. Rain days were also excluded from the data to further ensure an equal comparison between the two periods.

Impact to Day Pass Ridership and Fare Revenue

The promotion has had a positive impact on day-pass ridership, however the overall goal of attracting new riders to the system has not been achieved. Sales of day passes increased by 10.3 percent, and average ridership for day-pass users remained relatively flat for weekday, Saturday, and Sunday ridership during the promotional period. Day-pass ridership was flat despite decreases in fixed-route ridership when compared to the same period last year. The average change in day-pass ridership between the two periods ranged from a drop of 0.5 percent to a rise of 0.5 percent, while systemwide fixed-route ridership fell between 6.5 percent and 8.6 percent.

Day Pass Ridership

Average	Promotional Period	Oct. 2015 - Feb 2016	Percent Change	Fixed-Route Ridership
Weekday	27,816	27,947	-0.5%	-6.5%
Saturday	16,789	16,759	0.2%	-8.6%
Sunday	12,460	12,397	0.5%	-8.2%

^{*} Data for the promotional period is from October 9, 2016 - February 28, 2017

Based on day-pass sales through February 2017, it is estimated that approximately \$1,179,956 in LCTOP funds will be used to backfill fare revenue in support of the promotional day-pass program.

Impact to Systemwide Fixed-Route Ridership and Fare Revenue

An analysis of the data has found that despite the day-pass sales remaining flat during the promotional period, ridership for full-fare boardings has dropped substantially, far exceeding the average systemwide declines. This indicates that rather than fulfilling the objective of attracting new riders, the promotion has likely shifted existing riders from paying the full fare to purchasing the discounted day pass.

The chart below shows average ridership for weekday, Saturday, and Sunday for full fare, with the promotional period highlighted in gray.

Full Fare Average Ridership

Month/Year	Weekday	Saturday	Sunday
October 2015	23,361	13,147	10,087
November 2015	22,191	12,554	9,044
December 2015	20,314	12,015	8,456
January 2016	20,634	11,607	8,831
February 2016	21,710	12,441	9,671
March 2016	21,510	12,107	8,610
April 2016	21,144	12,269	9,295
May 2016	21,014	11,719	8,876
June 2016	19,668	11,643	8,883
July 2016	19,197	12,562	9,466
August 2016	19,960	12,732	9,984
September 2016	21,198	11,641	8,661
October 2016	18,816	10,917	8,486
November 2016	17,140	9,799	6,583
December 2016	15,931	8,634	6,516
January 2017	15,077	8,482	6,463
February 2017	16,195	8,334	6,532

Ridership for full-fare users has decreased between 23.2 percent and 25.3 percent for the weekday, Saturday, and Sunday full-fare riders when compared to the prior period last year.

Full Fare Ridership

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	Promotional	Oct. 2015 -	Percent	Fixed-Route
Average	Period	Feb 2016	Change	Ridership
Weekday	16,632	21,642	-23.2%	-6.5%
Saturday	9,233	12,353	-25.3%	-8.6%
Sunday	6,916	9,218	-25.0%	-8.2%

^{*} Data for the promotional period is from October 9, 2016 - February 28, 2017

Decreases in full-fare ridership have caused an additional concern in that the migration away from the full fare to the day pass has significantly reduced the systemwide average fare revenue per boarding for the fixed-route system. The average fare revenue per boarding has decreased 4.9 percent from \$1.03 in September 2016 (the month prior to the promotion) to \$0.98 in February 2017. Since a full-fare boarding has the highest average fare revenue per boarding, any substantial reduction in full-fare boardings can greatly impact the average fare revenue per boarding for the system. In the case of a rider migrating from the full fare to a day pass, the average fare revenue per boarding for a full-fare rider is \$2.00; however, the average fare revenue per boarding for a day-pass rider is approximately \$1.25. As a result, on average the Orange County Transportation Authority (OCTA) is receiving approximately \$0.75 less per boarding from a rider that has migrated from the full fare to a day pass. In the

case of a rider that used to pay for a transfer during a trip and is now using a day pass, OCTA is losing the entire full fare of \$2.00 for the transfer.

Based on the reduction in systemwide average fare revenue per boarding, the estimated impact to future revenue from decreases in full-fare ridership is approximately \$1.9 million per year, which would be a 4.2 percent decrease in fixed-route fare revenue. This decline would worsen the multi-year decline in fare revenue that OCTA is currently experiencing. Utilizing LCTOP funds to backfill a fare reduction for existing riders is not possible because it fails to meet one of the program's criteria which is a reduction of greenhouse gas emissions by removing vehicles from the road. As previously noted, the promotional day-pass reduction has resulted in shifting existing riders from one fare media to another and does not appear to have attracted new riders. Continuing to offer the day pass at a reduced price would further impact declining funding necessary to operate overall fixed-route service, as well as OCTA's ability to meet the state-mandated 20 percent farebox recovery requirement.

Because the promotion has failed to meet its objective of increasing ridership, and has negatively impacted fare revenue that cannot be backfilled using LCTOP funding, staff recommends allowing the day-pass promotion to end effective April 9, 2017. It is estimated that after funding the day-pass promotion, approximately \$3.3 million in LCTOP funds will be available for future efforts to improve ridership. Based on Board direction, staff would return with recommendations for future use of the remaining LCTOP funds. Staff will evaluate additional opportunities to use the funds, and future considerations could include targeted fare reductions for colleges and universities and/or expansion of service.

Summary

The Board approved a six-month promotional reduction in the price of the day pass in order to support ongoing efforts to improve ridership on the fixed-route system. Though the promotion has helped average weekday, Saturday, and Sunday day-pass ridership, it failed to meet the goal of increasing overall ridership, and the system continues to experience a drop in boardings. The data indicates that the promotion shifted existing riders from paying full fare to purchasing the discounted day pass, which has negatively impacted fare revenue and the financial condition of the bus system. As a result, staff recommends allowing the day pass promotion to end on April 9, 2017, and that staff return to the Board with additional opportunities for use of the LCTOP funds.

Attachment

None.

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Approved by:

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Review of Policy on Unsolicited Proposals



Background

Unsolicited proposals policy adopted in early 1990's

Few unsolicited proposals have been received

No major effort to promote use of this procurement method

Policy

OCTA may obtain unsolicited proposals as written submissions for the purpose of obtaining innovative and unique methods and practices

What is an Unsolicited Proposal?

- Way to receive new and innovative ideas, projects, products, or services developed by entities external to OCTA
- Take advantage of new processes and technologies
- Must not be in response to a current or planned OCTA solicitation
- Implementation is at OCTA's discretion

Unsolicited Proposal Criteria

- Be innovative and unique
- Be independently originated by the offeror
- Be prepared without OCTA supervision or direction
- Include sufficient detail to determine if it support's OCTA's mission and goals
- Not be an advanced proposal for a known OCTA requirement that will be acquired through competitive methods
- Not be an offer responding to a previously published solicitation

OCTA's Role in the Process

- Ensure that there is value to OCTA and that it aligns with our mission
- Ensure demonstrable and measurable results
- Open doors to market expansion, growth, innovative processes, and technological opportunities
- OCTA is willing to commit resources to review and possibly work with the proposer

Proposer's Role in the Process

- Proposal must prove value/benefit to OCTA
- Pilot or demonstrate with minimal or no resources from OCTA
- Understand that acceptance and implementation is at OCTA's discretion
- Implementation may involve a competitive procurement

Process Overview

CAMM to review initial unsolicited proposal

- Reviews proposal with affected department/division and executive office
- Establish Review Panel
- Notify proposer on status of unsolicited proposal

Process Overview

Review Panel will evaluate the proposal as follows:

- Proposer's capabilities; related experiences; key personnel
- Financial capability to deliver the goods or services
- Viability of the proposal and delivery schedule
- Costs and benefits of the proposal with respect to advancing OCTA's goals and objectives
- Potentials for generating revenue (or reducing costs)
- Any other appropriate factors

Process Overview

If proposal is determined to have merit, OCTA may:

 Issue sole source, if it meets the criteria as defined by OCTA policies, or

Issue a competitive solicitation

Next Steps

Market Unsolicited Proposals Policy

- OCTA web-site
- Marketing brochures
- Trade shows/conventions
- Informational Forum at OCTA





March 22, 2017

To:

Members of the Finance and Administration Committee

From:

Darrell Johnson, Chief Executive Officer

Subject:

Delivering Transportation Solutions in a Changing Market

This item was agendized as a Regular Calendar item on the March 6, 2017 Executive Committee meeting agenda.

A copy of the item is included for your **information only**.



March 6, 2017

To: Executive Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Delivering Transportation Solutions in a Changing Market

Overview

Since 2013, financial and market forces have combined to present numerous challenges to the Orange County Transportation Authority in successfully delivering on the agency's mission, including the core functions of implementing the Measure M2 Program and operating an effective, efficient, and affordable bus system. Bus ridership has steadily declined and the public's transit needs have shifted, while sales tax receipts continue to come in lower than expected. Despite these factors, the Orange County Transportation Authority has been able to realign the Measure M2 Program so that all promises will be kept, and steps have been taken to reduce costs and realign bus service with demand to better meet the needs of customers, avoid service reductions, and fare increases. This report details the major actions undertaken to keep all Orange County Transportation Authority programs on track in a financially constrained environment and changing market and identifies several upcoming challenges. These issues will need to be addressed in the development of the Long-Range Transportation Plan this year and will need to be incorporated into the annual budget and 20-year Comprehensive Business Plan.

Recommendations

- A. Direct staff to continue delivery of the Measure M2 Next 10 Plan.
- B. Direct staff to expand OC Bus 360° initiatives, focusing on the benefits and implementation of alternative transit service delivery models.
- C. Direct staff to evaluate paratransit growth and cost-management strategies, and return to the Board of Directors with recommendations.

Background

In fiscal year (FY) 2012-13, the Orange County Transportation Authority (OCTA) emerged from the Great Recession on solid financial footing and was well-positioned to deliver on the promises of Measure M2 (M2), successfully close out Measure M1, modestly grow bus and rail services, and continue the successful ongoing operation of the 91 Express Lanes. Getting to that point was difficult and included some major changes, including a 20 percent reduction in bus service, managing costs and schedules of freeway projects, securing external sources of revenue to keep projects on track, and the implementation of operational efficiencies.

In retrospect, FY 2012-13 was a watershed year. FY 2012-13 was the first year of a multi-year ridership slump on the bus system and was also the first year that sales tax collections started to noticeably underrun projections. The reduction in ridership and restoration of 68,000 vehicle service hours since 2013 have eroded system productivity. Furthermore, the impacts of reduced fare revenue and lower-than-expected sales tax receipts have hit the bus system particularly hard and make it difficult to sustain bus service levels despite the changes that have already been made. In addition, economic, demographic, and market forces have changed the demand for bus service, requiring OCTA to reinvent the delivery model to ensure system productivity and long-term sustainability.

Since FY 2012-13, actions have been taken each budget year to ensure sustainable programs and services despite lower-than-expected revenues. On March 28, 2016, the Board of Directors (Board) directed staff to modify the methodology used to forecast sales tax revenues. This change has proven to be more accurate than the previous methodology and has significantly reduced the amount of sales tax receipts forecast into the future, putting the long-term viability of the current operating model in question. While the Board has already addressed the lower sales tax forecast within the M2 Program by programming additional locally controlled revenues and modifying project delivery plans through the Next 10 Plan, the bus program requires additional adjustments to account for the lower forecast.

Discussion

Every four years, OCTA is required to submit a Long-Range Transportation Plan (LRTP) to the Southern California Association of Governments (SCAG) to ensure that the region is eligible for state and federal funds. The LRTP provides a 30-year vision for transportation investment in Orange County and the Southern California region. Decisions will need to be made regarding how OCTA plans to deal with the changing transportation landscape. These decisions will

also need to be included in the upcoming OCTA budget and 20-year fiscally-constrained Comprehensive Business Plan. To determine where OCTA is headed, it is important to examine the current status of OCTA programs and actions already taken to address a changing marketplace and financial landscape.

Over the past four years, each of OCTA's programs has faced different challenges. As a result, the Board and management actions employed to address those challenges are unique to each program based on program characteristics, a changing business environment and funding sources. As it stands today, the M2 Program is reaching a peak with the recent award of the \$1.2 billion design-build contract for the Interstate 405 (I-405) Improvement Project, the advancement of the OC Streetcar project, and the implementation of 17 other freeway projects in various stages of development, including three currently under construction. However, the bus program is at a crossroads where future funding is uncertain and ridership is falling due to affordable and convenient competition, a change in legislation regarding driver's licenses, and demographic shifts that are overwhelming OCTA's ability to attract and retain riders. The dichotomous nature of a growing capital program and a struggling bus program creates difficult management challenges for OCTA staff and difficult policy decisions for the Board.

The management strategies and Board policy changes and directives that have been used for each program are described in detail below.

M2 Program

In September 2012, the Board approved the M2020 Plan. This plan was a roadmap to deliver on all the promises of M2 despite lower sales tax collections as a result of the Great Recession. While the plan is detailed in other reports, in general, the plan called for accelerated project delivery to take advantage of a favorable bidding environment and securing and utilizing \$720 million in external funds to fill the freeway gap.

After adopting a more conservative sales tax forecast methodology that further decreased the expected future sales tax collections, the Board acted quickly and approved the Next 10 Plan in November 2016. The Next 10 Plan utilizes locally generated net excess toll revenues from the 91 Express Lanes to help fund the remaining M2 projects in the State Route 91 (SR-91) corridor to fill the freeway gap. Also, a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan is assumed for the I-405 Improvement Project which would provide a significant financial benefit to the M2 freeway program. At the same time, there were across the board cuts in funding distributions to the programmatic elements

of M2 transit, streets, and environmental elements to ensure the M2 program's viability and to ensure OCTA is operating within its financial means.

For the M2 Transit mode, the \$297.9 million OC Streetcar project has entered into the engineering phase and is on track to receive a New Starts grant from the Federal Transit Administration, which would pay for half of the project. In addition, \$92 million of other federal and state funds have been secured for the project, leaving only \$57 million required from M2 to deliver the project. In 2015, following completion of the M2 Ten-Year Review, Project T - Metrolink Gateways - was officially completed and closed, and \$150 million was reallocated to Project R for Metrolink service and \$69 million to Project U for Fare Stabilization for Seniors and Persons with Disabilities. The reallocation to Project U was particularly notable because that solved a problem that was identified in 2010. In short, one percent of net M2 revenues was originally allocated for the Fare Stabilization Program. However, with the big drop in projected sales tax due to the recession, it was immediately evident that one percent of the net revenues would not be sufficient to stabilize fares for the 30-year life of M2. The transfer from Project T to Project U addressed this critical issue through 2041.

While much has been done to keep the M2 Program on track, serious challenges remain. Most notably, keeping \$5.4 billion of freeway projects within scope and budget will be critical as we move forward, especially as the \$1.9 billion I-405 Improvement Project advances. Keeping a close eye on sales tax forecasts and other external funding opportunities also will be an important element to keep the promises of M2. Lastly, with the passage of other local sales tax measures in the region, OCTA expects fierce competition for both internal and external human capital resources and for materials to deliver capital projects.

To address these issues, OCTA will continue to work with the state to ensure that state regulations do not impede our ability to deliver projects consistent with voter approval. For funding, OCTA will advocate strongly for the reinstatement of funds for freeway projects and expects to close the TIFIA loan in May 2017. To address the expected competition for resources, OCTA is undertaking a market analysis study to determine potential impacts and solutions. Lastly, in order to keep qualified personnel that can deliver large capital projects that are promised in M2, changes to the OCTA Personnel and Salary Resolution may be included in the upcoming budget submittal, along with the continued funding of OCTA's pay for performance system.

Bus Service

The bus program has been fraught with challenges over the last few years resulting in negative impacts to ridership in a way that has not been experienced by OCTA in its history. While significant cost-saving measures have been implemented and will continue to be an ongoing focus to sustain current service levels and mitigate inflationary factors, long-term sustainability will require redesigning service to improve productivity and provide market-driven solutions.

The multiple factors creating the current environment have been described in detail in other reports, but it is clear that the demand for the types of services that OCTA has historically provided are no longer effective in all areas of the county. In response, OCTA has launched an ambitious program, called OC Bus 360°, in an effort to curb declining ridership and provide customers a more efficient and user-friendly transit system.

OC Bus 360° is a multi-pronged effort, where one of the key strategies is to reallocate services from low-productivity areas to higher-productivity areas to increase bus ridership. OC Bus 360° is still in its infancy as the first major reallocation of services took place in October 2016.

The results of OC Bus 360° will take time to materialize; however, there are immediate financial implications of ridership declines due to much lower fare revenues being collected than assumed. In addition, similar to the M2 Program, sales tax receipts have not kept pace with projections.

Up to this point, multiple actions have been taken to address the financial realities without impacting the overall level of fixed-route bus service. Additional changes will need to be made after adopting the more conservative sales tax forecasting methodology that may require service reductions to ensure long-term fiscal sustainability.

The most financially impactful change that has been implemented for the bus system since 2013 is the continued effort to contract out a significant portion of the fixed-route service. In 2013, OCTA was contracting out 20 percent of the fixed-route service. Today, that figure has doubled to 40 percent of the fixed-route service. The savings of this action alone is \$14.2 million on an annual basis. The majority of the savings was a direct result of favorable rates received when this contract was competitively bid in March 2015.

The contract for the provision of ACCESS paratransit service was awarded in March 2013. The cost for these services is expected to be \$8.5 million less in

next year's budget when compared to what OCTA was paying on the prior contract.

In regards to savings related to staffing costs, a major shift was approved by the Board in April 2013, that required all employees to pay the full amount of the employee share of pension costs. This action was approved in a phased approach that is now fully implemented. The annual savings of this action is estimated to be \$5.8 million next fiscal year. Since the majority of the employees at OCTA work directly or indirectly for the bus program, the majority of the savings accrues to the bus program.

Also in 2013, staff negotiated a new lease for the administrative headquarters building. OCTA continues to reap the benefits of this new lease. In addition to providing tenant improvement funds for the buildout of the new Board room and conference center and other building improvements at no cost to OCTA, the lease approved by the Board saves OCTA \$1.3 million annually. Most of those savings accrue to the bus program.

Last year, the Board approved a new contract for the purchase of renewable natural gas at a lower cost. In addition, OCTA has been able to monetize both state and federal credits, which generates a new revenue stream for OCTA. Between the lower cost of fuel and the new income stream, OCTA expects to save \$3.4 million annually that directly supports the bus program.

A major portion of the costs associated with running a countywide bus system is the purchase of rolling stock. Recently, OCTA reduced an order by 40 buses which provided immediate cash savings of \$23.2 million. OCTA has a conservative approach for paying for rolling stock and other capital by simply saving in a sinking fund and utilizing a pay-as-you-go method when capital needs arise. Since the long-term fleet plan has now been reduced by 40 buses, annual sinking fund contributions have been reduced by approximately \$2 million. These funds are being used to help offset lower ongoing revenues.

There are a number of other changes that have been made throughout the normal budget process that have saved operating funds, including a budget amendment approved by the Board in March 2016 that aligned the budget with ongoing revenues. Changes included the cancellation of an order of 12 40-foot buses, lower fuel and lubricant costs, lower contracted-services costs, and savings related to insurances, professional services, and parts costs. Ongoing savings realized by these adjustments total \$6.7 million, and annual sinking fund contributions have been reduced by approximately \$600,000.

All of the aforementioned actions have saved a total of \$42.5 million for the bus system on an annualized basis as compared to what costs would have been incurred had no action been taken. These proactive changes have allowed OCTA to moderately grow bus service by 68,000 hours, or four percent additional service since 2013, despite lower fare revenue and lower-than-expected sales tax receipts. Additionally, a planned fare increase in 2017 was cancelled. In fact, there have been no service hour reductions since March 2010 and no fare increases since February 2013.

The adoption of the more conservative forecasting methodology resulted in a major change in anticipated long-term revenues for the bus system and needs to be addressed. The ridership challenges afflicting Orange County suggest that the services OCTA is providing do not meet the needs of our customers, and reductions in certain areas may be necessary to maintain productivity.

There will be other challenges. Demographics are working against the bus program. Federal regulations will make it difficult to directly partner with transportation network companies. Growth in paratransit demand is expected to continue to consume a larger percentage of transit dollars. Lastly, the state-mandated 20 percent farebox recovery ratio will eventually become an issue again, even though we are allowed to now use other revenues to meet the requirement.

Looking forward, although OCTA may make changes to service levels because of lower demand, it is imperative to give OC Bus 360° time to succeed. OCTA will continue to look at providing service in different, innovative ways by exploring the use of technology to allow for on-demand services and possible partnering with transportation network companies and other providers to better serve our customers. A number of community-based circulators under Project V have been deployed. These projects are intended to fill the gap in areas that are not well-served by the OCTA bus system. Stationlink and express bus services will be revisited by either utilizing vanpools or simply letting the private sector serve those customers. To explore ways to meet the needs of seniors and persons with disabilities while controlling our costs, OCTA will hold a special Board workshop on paratransit services later this year. The workshop will highlight the services that are provided today and associated costs, and provide information regarding the specific requirements OCTA has to abide by under the Americans with Disabilities Act.

91 Express Lanes

The 91 Express Lanes continues to meet all stated objectives. The congestion-pricing toll policy remains in effect and all adjustments have been

made per Board policy. Utilization of net excess toll revenues will be dedicated to M2 projects in the SR-91 corridor, which was a major element of the M2 Next 10 plan.

The debt on the 91 Express Lanes was refinanced in 2013 and saved approximately \$1.7 million per year when compared to the 2003 debt transaction. Both Standard and Poor's and Fitch have provided ratings upgrades for the 91 Express Lanes since the refinancing was finalized. The "AA-" rating provided by Standard and Poor's is one of the highest ratings assigned to a single-asset toll facility.

The Riverside County Transportation Commission (RCTC) will be extending the 91 Express Lanes into Riverside County this year. OCTA has worked in close partnership with RCTC on this extension and entered into a three-party agreement with RCTC and Cofiroute to provide seamless operation of the express lanes. The three-party agreement is expected to save OCTA \$9.63 million over a four and a half year period. It is expected that OCTA's 91 Express Lanes operation and revenue will still meet stated goals once the RCTC extension is opened. Additionally, the Transportation Corridor Agencies (TCA) is designing a direct connector from the State Route 241 to the 91 Express Lanes. OCTA will continue to keep the Board apprised of any issues related to the RCTC project or the TCA project to the extent that they affect the ability of OCTA to improve throughput of the SR-91 corridor.

OCTAP

The Orange County Taxicab Administration Program has seen a major drop in revenues with the emergence of transportation network companies (TNCs). This program is administered by OCTA on behalf of Orange County's local jurisdictions and has always been a cost recoverable program, meaning the revenues generated from the taxi companies would cover OCTA's costs to administer the program. While OCTA has eliminated staff to reduce administrative expenses, the revenues are now so low that OCTA is unable to recover all of its costs while meeting the program objectives.

This industry has dramatically transformed with the advent of TNCs. A letter was sent from OCTA in July 2016, notifying local jurisdictions that OCTA could not provide this service in the future under the existing structure.

Local jurisdictions have convened a working group to determine their potential courses of action given the current circumstances. OCTA has received a letter requesting another year of OCTA administration as the local jurisdictions have a

stated preference of not using their own general funds to support the taxicab program.

OCTA is not in a position to subsidize the taxicab program using general funds or transit funds on behalf of the local jurisdictions. Staff will keep the Board apprised of ongoing developments, but it is clearly not the intent for OCTA to provide these services long-term without a structured change to the program.

Metrolink

In 2013, OCTA was running 54 weekday trains per day. Today there are 60 weekday trains per day. Sustaining this higher level of service is made possible largely due to the transfer of \$150 million from Project T to Project R as mentioned above. Additionally, staff continues to closely monitor costs provided by Metrolink each budget year and have offered help and provide guidance to Metrolink staff as they have dealt with staff turnover in their finance department.

Growth in Metrolink operating costs and capital rehab costs will likely be significant issues in the future. On February 24, 2017, Metrolink staff provided OCTA with their preliminary budget for FY 2017-18. Metrolink's request increases OCTA's annual operating contribution by 11 percent and also includes an unusually high request for capital rehab. These types of cost increases are unsustainable. Staff will continue to work collaboratively with Metrolink staff to keep costs at reasonable levels while also ensuring proper investment is made for the provision of safe and reliable service.

Summary

Over the next several months, OCTA will be developing a Long-Range Transportation Plan, an annual budget, and a 20-year Comprehensive Business Plan at a time when the transportation marketplace is rapidly evolving and the traditional methods for funding transportation services and projects are shifting. Since 2013, OCTA has focused its efforts on ensuring that all OCTA programs remain on track despite lower-than-expected sales tax revenue and declining bus ridership. Through various actions, \$42.5 million in ongoing recurring savings for the bus program have been achieved to ensure fiscal sustainability without raising fares or reducing service levels. Lower revenues and reduced demand for traditional fixed-route service may require some service levels to be revised. In addition, OCTA is examining ways to deliver transit service that addresses a changing market. For the M2 Program, the approval of the Next 10 Plan puts the entire program in position to deliver on all the promises made to voters. The continued commitment to meet all of the promises included in the capital-intensive M2 program juxtaposed against a struggling bus system that

Delivering Transportation Solutions in a Changing Marke	Delivering	Transportation	Solutions	in a	Changing	Market
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Page 10

needs to evolve to better meet the needs of our customers creates management challenges that will need to be addressed in the coming months.

Attachment

None.

Delivering Transportation Solutions in a Changing Market



Planning Efforts Underway

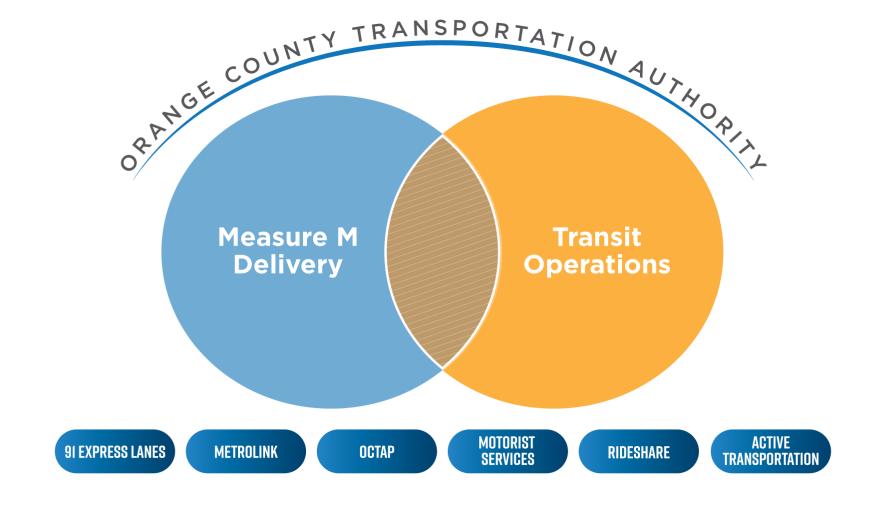
- Long-Range Transportation Plan
 - Updated every four years to address changing transportation landscape
 - Ensure eligibility for state and federal funds
- Comprehensive Business Plan
 - 20-year fiscally constrained financial plan
- Fiscal Year 2017-18 Budget
 - Annual funding for all OCTA programs, projects, and services





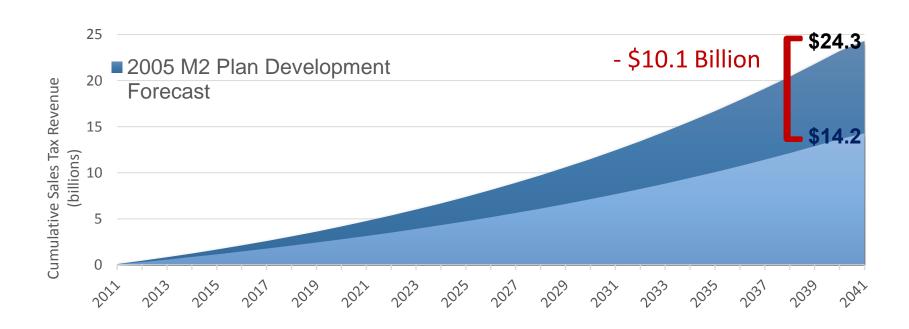


OCTA Core Functions



Background – Measure M

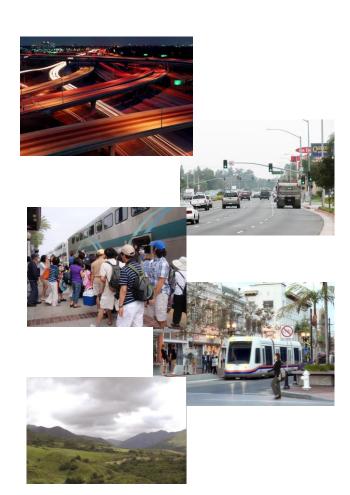
- Declining sales tax revenues recognized / reported early
- Next 10 Delivery Plan adopted
 - Aggressive delivery plan
 - Leverages external revenues
 - Brought in local revenues



Next 10 Delivery Plan

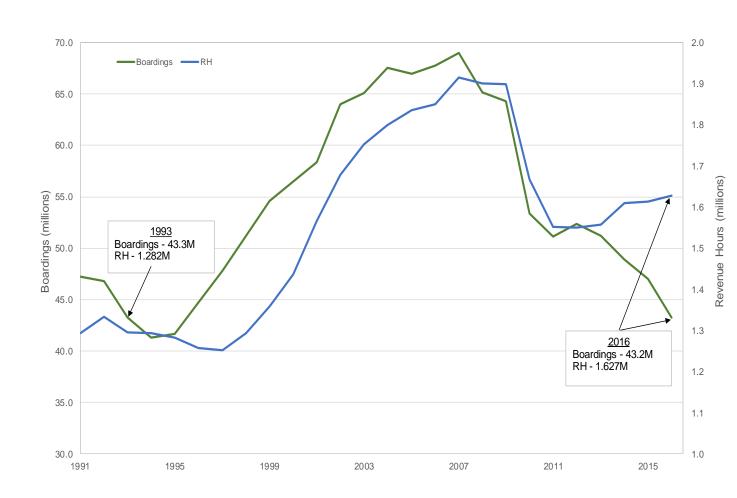
Measure M Capital Program Peaking

- Use federal grants and loans and 91 Express Lanes net excess toll revenue to help fund program
- Deliver \$5.4 billion in freeway projects
 - \$1.9 billion I-405 Improvement Project, largest in agency history
- Allocate \$1 billion for streets and roads improvements
- Invest up to \$1.4 billion to enhance access to rail and transit including delivery of the OC Streetcar
- Ensure ongoing preservation of open space Preserves
- Provide \$40 million in water quality grants



Background – Bus Transit

- Changing bus market demand
 - Declining bus ridership
 - Reduced productivity
- Reduced bus revenues
 - Sales tax declines
 - Changing forecast methodology
 - Fare revenue down
- Maintaining service
 - No fare increases since 2013
 - No service hours cut since 2010



Trends

- Past correlations no longer predictive of future conditions
- Growth in competing modes impacting ridership
- Costs of housing also a key factor
- Ridership decreases now a national and regional issue

2009 to 2015

- **☆** Population: Up 4.7 percent
- ☆ Driver Licenses: Up 9.9 percent
- ☆ Car Registrations: Up 16.9 percent

2015

OC Bus 360° - Reinventing Bus Service

- Reallocated 160,000 revenue vehicle hours
- Implemented faster bus routes
- Discounted day pass
- Implemented mobile ticketing / real-time bus arrival app
- Awarded 17 Measure M transit grants to local agencies
- Secured over \$20 million in grants for buses, mobile ticketing, and fare discount
- Expanded marketing



Efficiency Measures / Cost Savings

Description	Annual Savings (In Millions \$)	3-Year Savings (In Millions \$)	5-Year Savings (In Millions \$)
Contracted out bus service	\$14.2	\$56.2	\$73.4
ACCESS contract	8.5	27.3	48.8
Renewable natural gas contract	3.4	10.2	17.0
Fleet reduction*	2.6	7.8	13.0
Maintenance support savings	6.7	20.7	35.6
Employee pensions	5.8	14.3	17.9
Headquarters lease	1.3	3.9	6.5
Total	\$42.5	\$140.4	\$212.2

^{*\$23.2} million immediate cash savings and lower long-term contribution to capital sinking fund

Staffing Levels and Service Hours



Other OCTA Programs



- Continues meeting objectives
- Portion of net excess revenue dedicated to SR-91 corridor M2 projects
- Ongoing coordination with RCTC and TCA

METROLINK®

- 60 daily weekday trains sustained through M2
- Closely monitoring current costs
- Future concerns regarding operations and capital rehab costs



- Drastic revenue decline due to shift in market demand
- OCTA will not continue oversight given current model
- Cities and county working group convened to determine future

Next Steps

- Continue delivery of Next 10 Plan
- Continue OC Bus 360° initiatives
- Assess benefits of different transit service delivery models
- Evaluate paratransit service
- Use guiding principles to make adjustments for bus based on:
 - Performance measures
 - Customer / market demand
- Continue to explore efficiency measures include in development of FY 2018 budget
- Develop Long-Range Transportation Plan
- Develop 20-year Comprehensive Business Plan

Fiscal Year 2017-18 Budget Assumptions

OCTA



Key Issues

- Bus program sustainability
 - Assumes all prior Board of Directors' actions
 - \$20 million funding gap
 - One time infusion of \$14.5 million
 - 50,000 hour reduction in service levels
 - Thorough review of ongoing cost and capital projects
- Strategies to address remaining funding gap to be determined in fiscal year 2017-18
- Orange County Taxi Administration Program
 - Assumes external contributions
- Rail
 - Anticipate increase in Metrolink's proposed operating subsidy

M2 Program Assumptions

- Revenue
 - Local Transportation Authority sales tax revenue
 - Fiscal Year (FY) 2016-17 budget \$310.9 million
 - FY 2016-17 estimate \$303.9 million
 - FY 2017-18 budget \$314.0 million
 - Based on MuniServices forecast of 3.3 percent
- Expenditures
 - Major Capital Projects
 - OC Street Car (Project S)
 - I-405 San Diego Freeway (Project K)
 - I-5 Freeway Improvements (Project C)

Rail Program Assumptions

Revenue

- Operating
 - Measure M2 High-Frequency Metrolink Service
- Capital
 - Federal Transportation Administration (Section 5307 and 5337) consistent with the Fixing America's Surface Transportation Act

Expenditures

- Operating subsidy of \$26.7 million, which is an increase of 6 percent over Metrolink's final FY 2016-17 adopted subsidy of \$25.2 million (excludes BNSF costs)
- Major capital projects
 - Placentia Metrolink Station
 - Laguna Niguel to San Juan Capistrano Passing Siding
 - Orange Transportation Center

91 Express Lanes Program Assumptions

Revenue

- Toll revenue budget based on 95 percent of Stantec's projection
- Revenue budget projected at \$48.5 million
 - Toll revenue: \$40.1 million
 - Non-Toll revenue: \$6.6 million
 - Other: \$1.8 million

Major Expenditures

- Cofiroute operating contract
 - Proposed budget reduced by \$1 million due to cost sharing with Riverside County Transportation Commission
- Replacement of the Electronic Toll & Traffic Management System
- Contribution to Placentia rail station

Motorist Services Program Assumptions

- SAFE
 - Revenue
 - DMV fees consistent with prior year at \$3 million
 - Freeway Service Patrol revenues are relatively flat at \$2.6 million
 - Also supported by Measure M2 revenues
 - Expenditures
 - Freeway Service Patrol
 - Scheduled service hours increased from 83,654 to 85,393
 - Two new beats to service
 - Call box and 511 Programs

OCTAP

- Revenue
 - Permit fees have decreased by 29.2 percent (\$152,000 per year)
 - External contributions necessary to balance the programs budget

- Expenditures
 - Expenses outpacing revenues
 - Reduction of 1.4 full-time equivalent
 - Without additional changes, the program will exhaust operating reserves by mid FY 2017-18

Bus Program Assumptions

- OC Bus 360° Plan is ongoing
- Flat fixed-route ridership
- No fare increase in FY 2017-18
- Additional \$14.5 million revenue source
- Plan to reduce revenue vehicle hours by 50,000
- Paratransit trip growth assumption of 5.8 percent

Bus Program Revenue Assumptions

- Operating Revenue
- Local Transportation Fund Sales Tax
 - FY 2016-17 budget \$159.3M
 - FY 2016-17 estimate \$156.7M
 - FY 2017-18 budget \$160.5M
 - Based on MuniServices forecast of 2.4%
- Federal formula grant funding is consistent with Moving Ahead for Progress in the 21st Century Act (MAP-21)
- Fare Revenue
 - FY 2016-17 budget \$53.0M
 - FY 2016-17 estimate \$47.9M
 - FY 2017-18 budget \$47.9M

- Capital Revenue
- State Transit Assistance
 - FY 2016-17 budget \$17.2M
 - FY 2016-17 estimate \$14.5M
 - FY 2017-18 budget \$14.0M
 - Based on State Controller's Office estimate
- Continued use of prior year designations consistent with the Capital replacement plan
- Designations for future capital expenditures will be subject to future service delivery model

Bus Operations Service Assumptions

- Fixed-route service levels
 - Base revenue hours
 - FY 2016-17 budget 1,603,817
 - FY 2017-18 budget 1,572,568
 - Directly operated service revenue hours
 - FY 2016-17 budget 60 percent
 - FY 2017-18 budget 60 percent
 - Contracted service revenue hours
 - FY 2016-17 budget 40 percent
 - FY 2017-18 budget 40 percent

- ACCESS service
 - Primary service revenue hours
 - FY 2016-17 budget 503,405
 - FY 2016-17 estimate 517,878
 - FY 2017-18 budget 529,840
 - Supplemental service trips
 - FY 2016-17 budget 271,198
 - FY 2016-17 estimate 303,475
 - FY 2017-18 budget 310,771
 - Same day taxi trips
 - FY 2016-17 budget 157,907
 - FY 2016-17 estimate 124,654
 - FY 2017-18 budget 147,697

Next Steps

- Preview Budget Workshop Presentation F and A Committee
- Budget Workshop Presentation Board
- Committee meetings and One-on-One meetings with Board Members
- Public Hearing Preview F and A Committee
- Public Hearing Board (public hearing and approval)
- Back-up Public Hearing Board (public hearing and approval)

May 8

May 9-June 9

May 24

June 12

June 26