



AGENDA

Finance and Administration Committee Meeting

Committee Members

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

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

Wednesday, June 28, 2017 at 10:30 a.m.

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

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

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

Call to Order

Pledge of Allegiance

Director Steel

1. Public Comments

Special Calendar

- 2. Taxable Sales Forecast - University of California, Los Angeles Anderson Forecast - William Yu, PhD, Economist, and Jerry Nickelsburg, PhD, Senior Economist**
Christina Runge/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in spring 2017. William Yu, PhD, and Jerry Nickelsburg, PhD, from University of California, Los Angeles Anderson Forecast will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



Consent Calendar (Items 3 through 10)

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

3. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of May 24, 2017.

4. Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project, Internal Audit Report No. 17-509

Gerald Dunning/Janet Sutter

Overview

The Internal Audit Department has completed an audit of oversight controls and contract compliance related to agreements with Caltrop Corporation for public outreach for the West County Connectors Project. Based on the audit, contract oversight by the project manager, compliance with contract terms by the contractor, and invoice review controls were adequate.

Recommendation

Receive and file the Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project, Internal Audit Report No. 17-509.

5. Local Agency Investment Fund - May 2017

Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending May 31, 2017. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.

Recommendation

Receive and file as an information item.



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

Rodney Johnson/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending May 31, 2017. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.

7. Orange County Transportation Authority Investment and Debt Programs - May 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 May 31, 2017. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. One security fell below the minimum credit quality during the month. The security was sold the next day.

Recommendation

Receive and file as an information item.



8. Fiscal Year 2016-17 Third Quarter Budget Status Report
Scott Arbuckle/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2016-17 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2016-17.

Recommendation

Receive and file as an information item.

9. Fiscal Year 2016-17 Third Quarter Grant Reimbursement Status Report
Rene Vega/Andrew Oftelie

Overview

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

Recommendation

Receive and file as an information item.

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

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

Recommendation

Receive and file as an information item.



Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

11. Chief Executive Officer's Report

12. Committee Members' Reports

13. Closed Session

There are no Closed Session items scheduled.

14. Adjournment

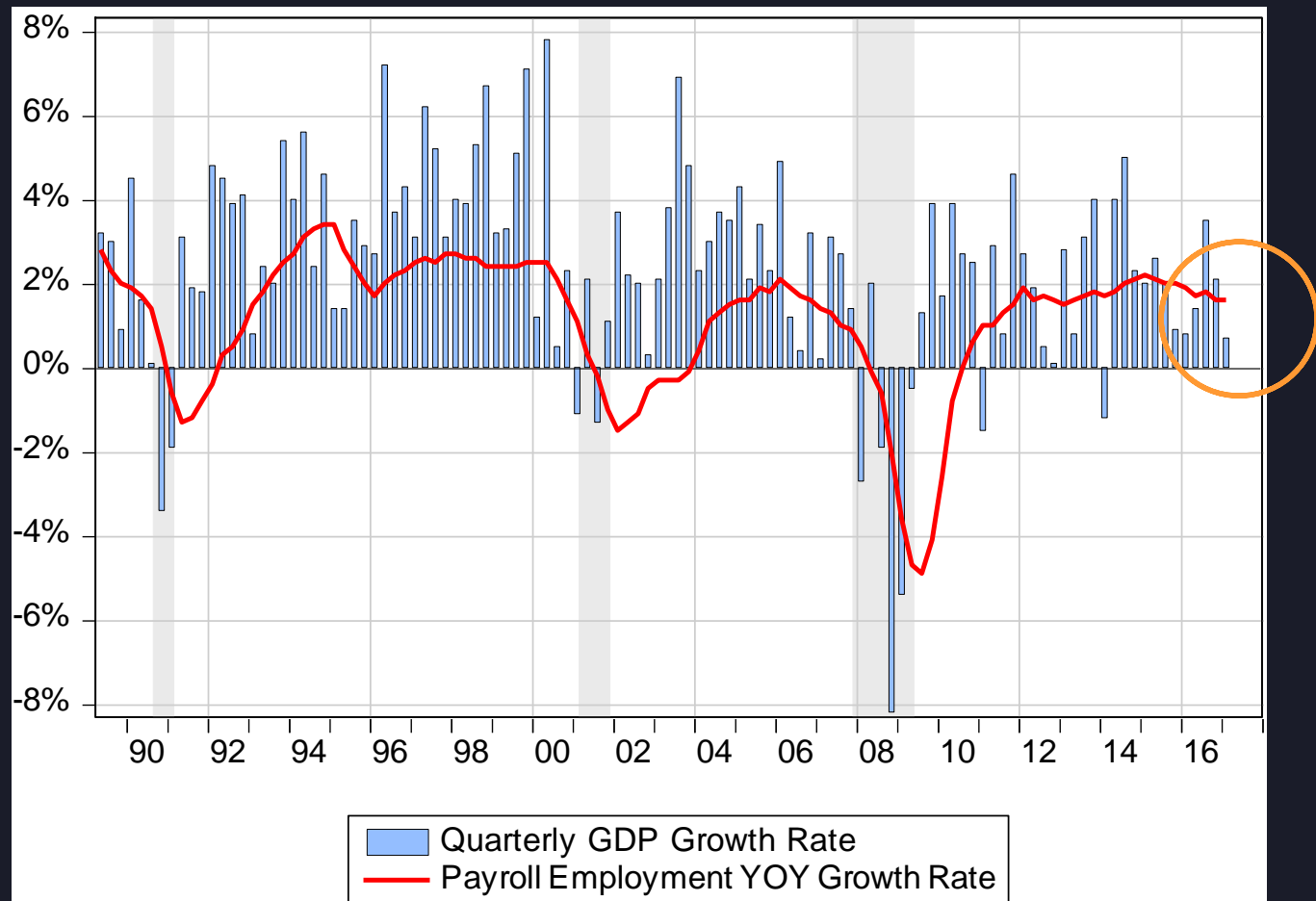
The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 12, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

The Economic Outlook and Orange County Taxable Sales

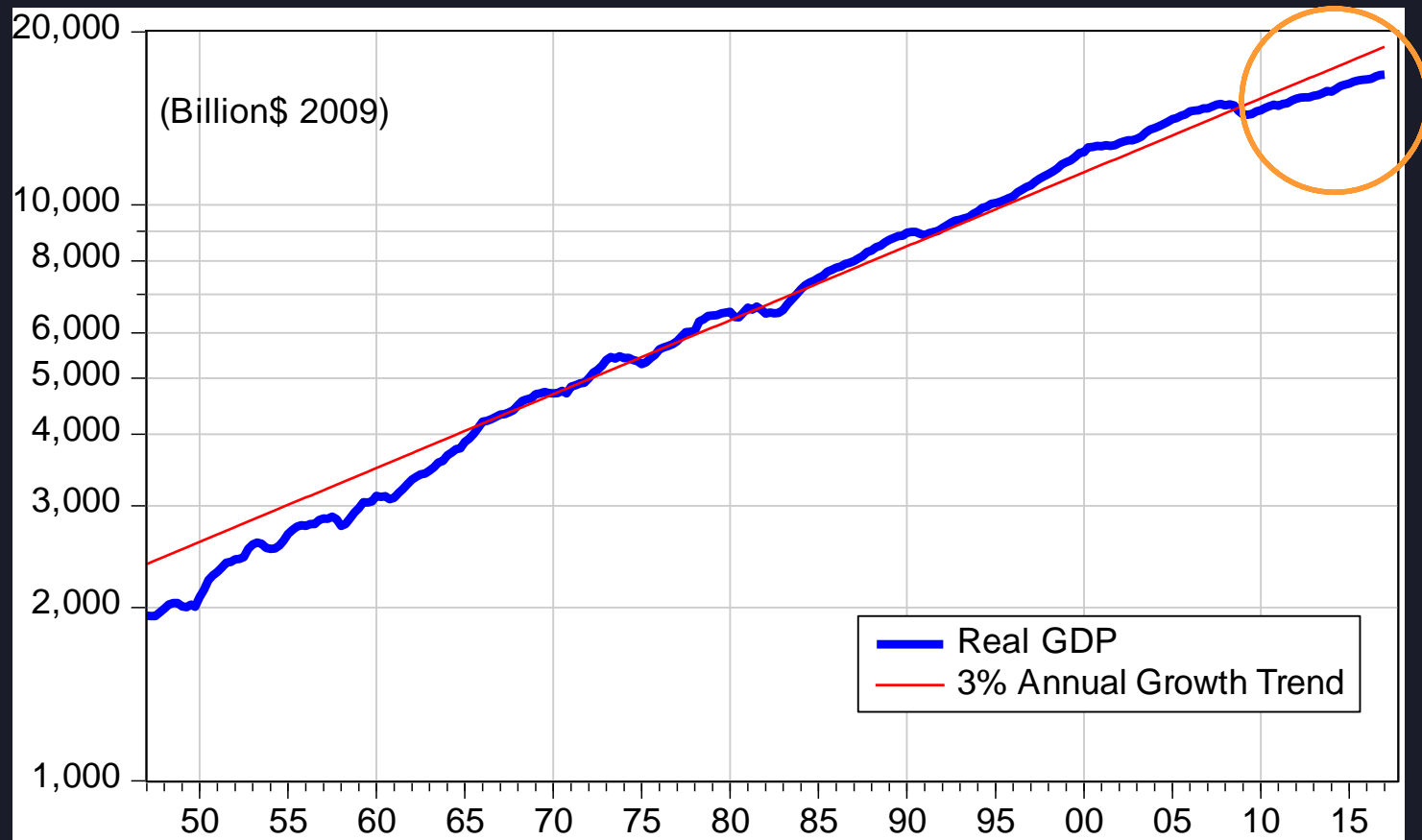
OCTA Briefing, June 28, 2017

William Yu
Economist
UCLA Anderson Forecast

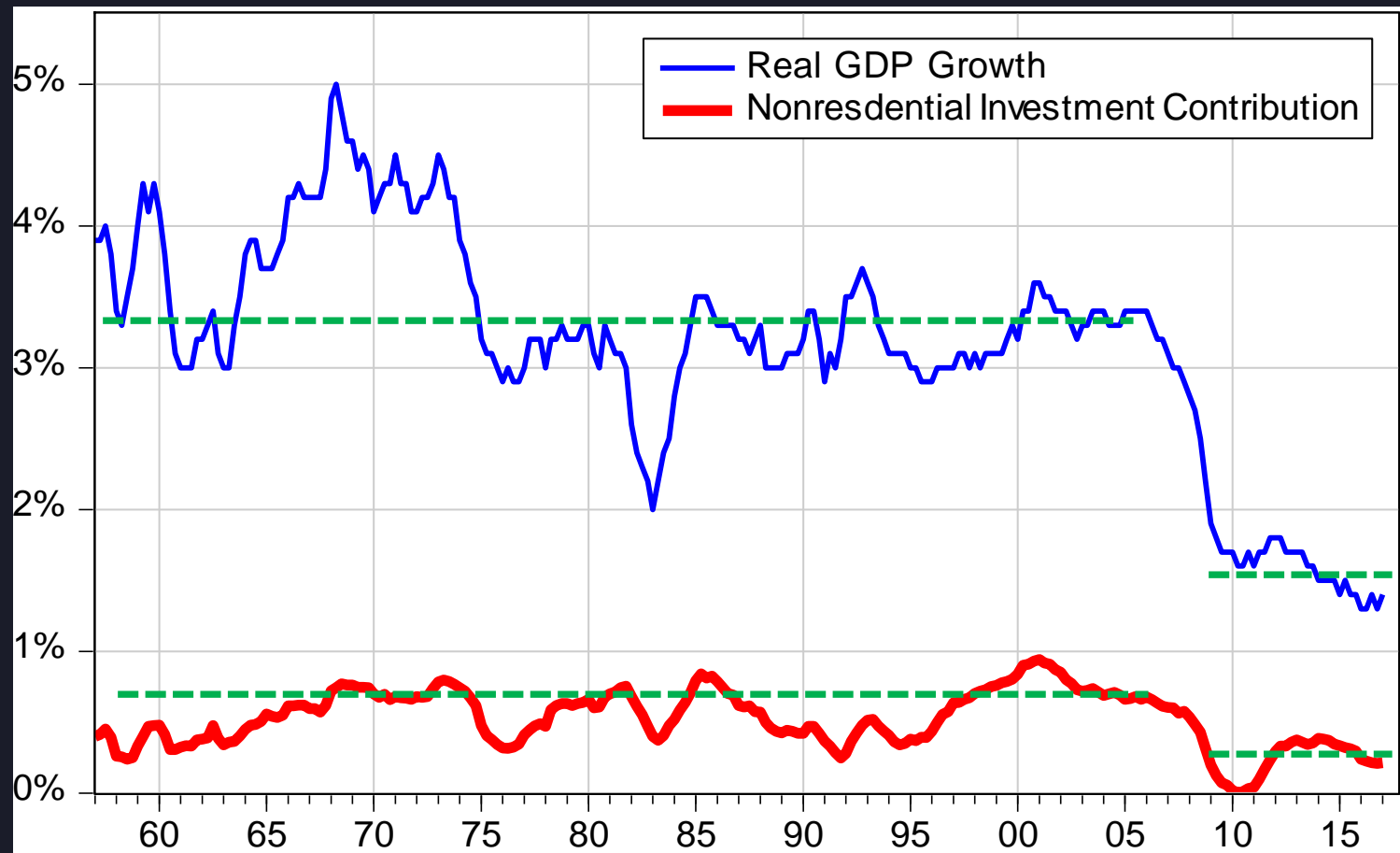
U.S. economy is doing all right



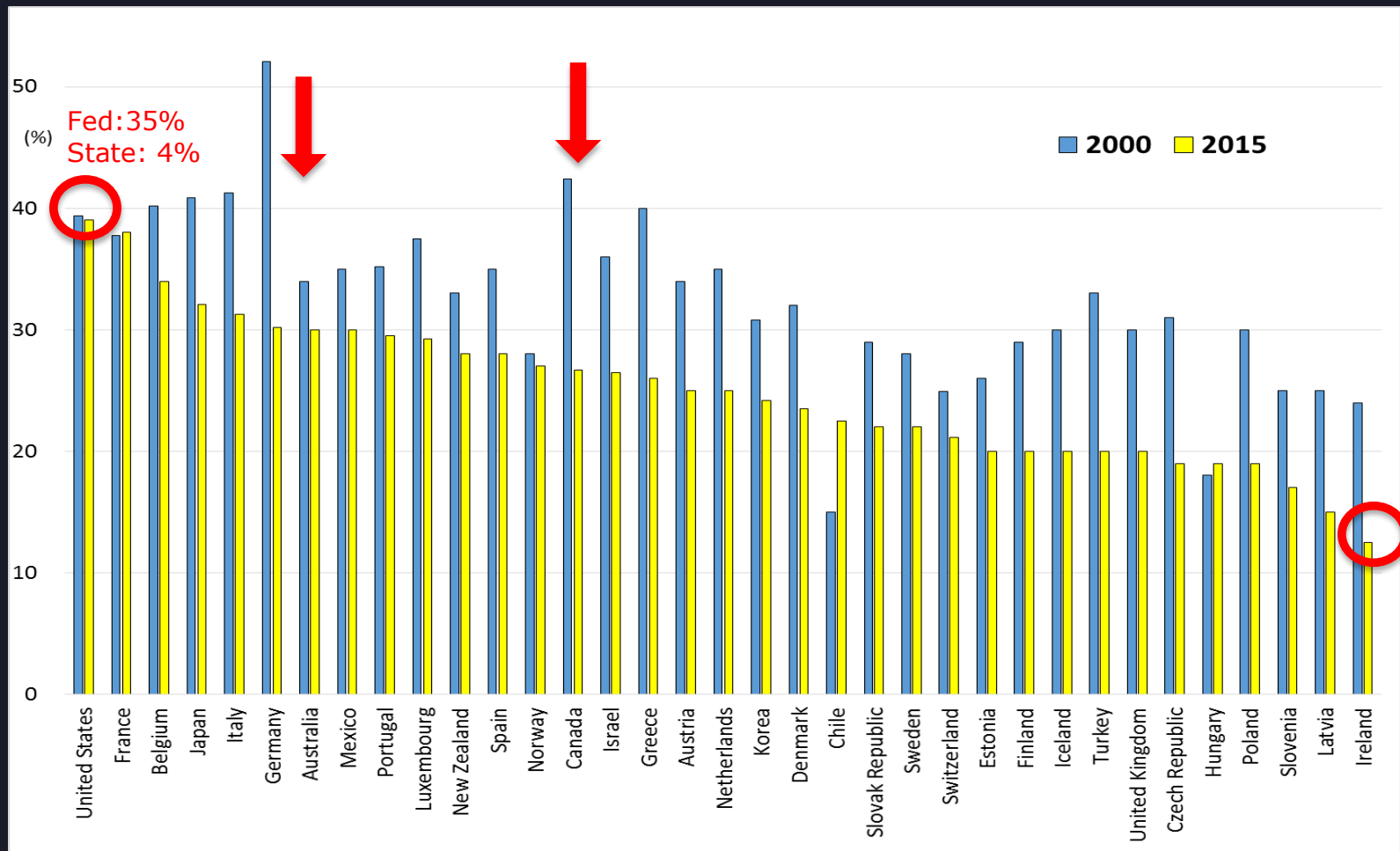
GDP is below the 3% trend growth after the Great Recession



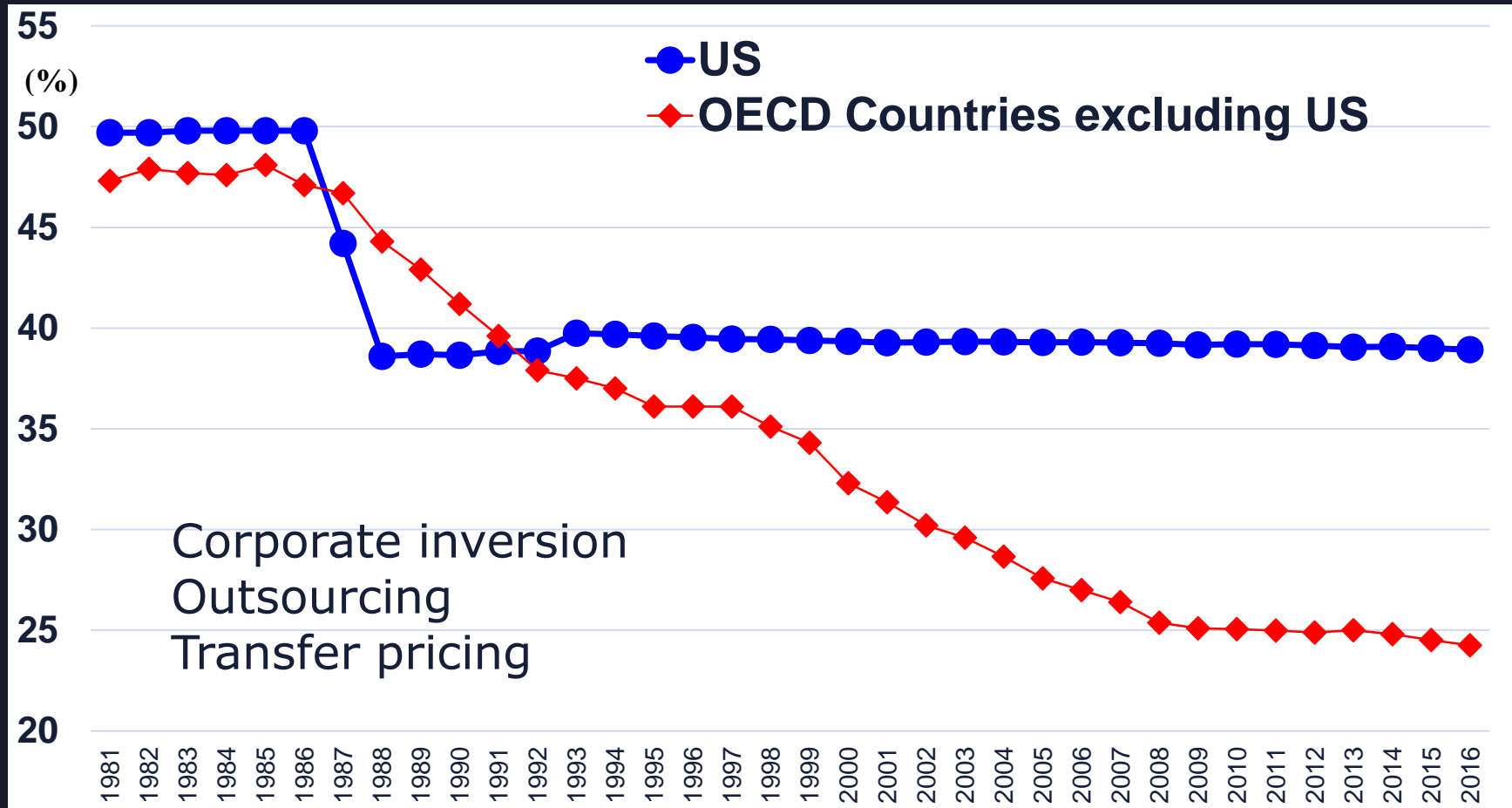
10-year moving-average GDP growth supports “secular stagnation”



Combined corporate income tax rates in OECD countries in 2000 and 2015

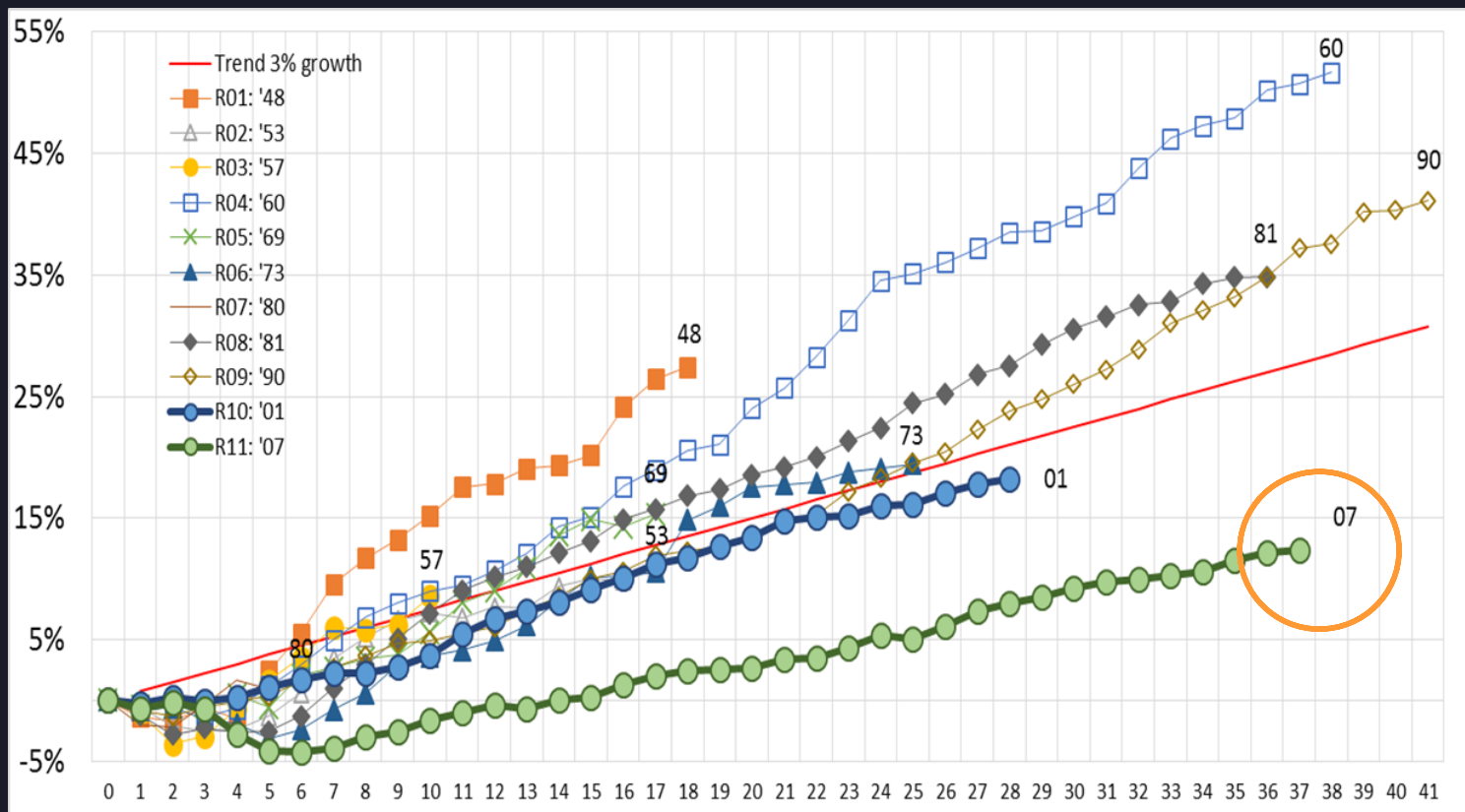


Corporate income tax rates in the US and other OECD countries from 1981 to 2016

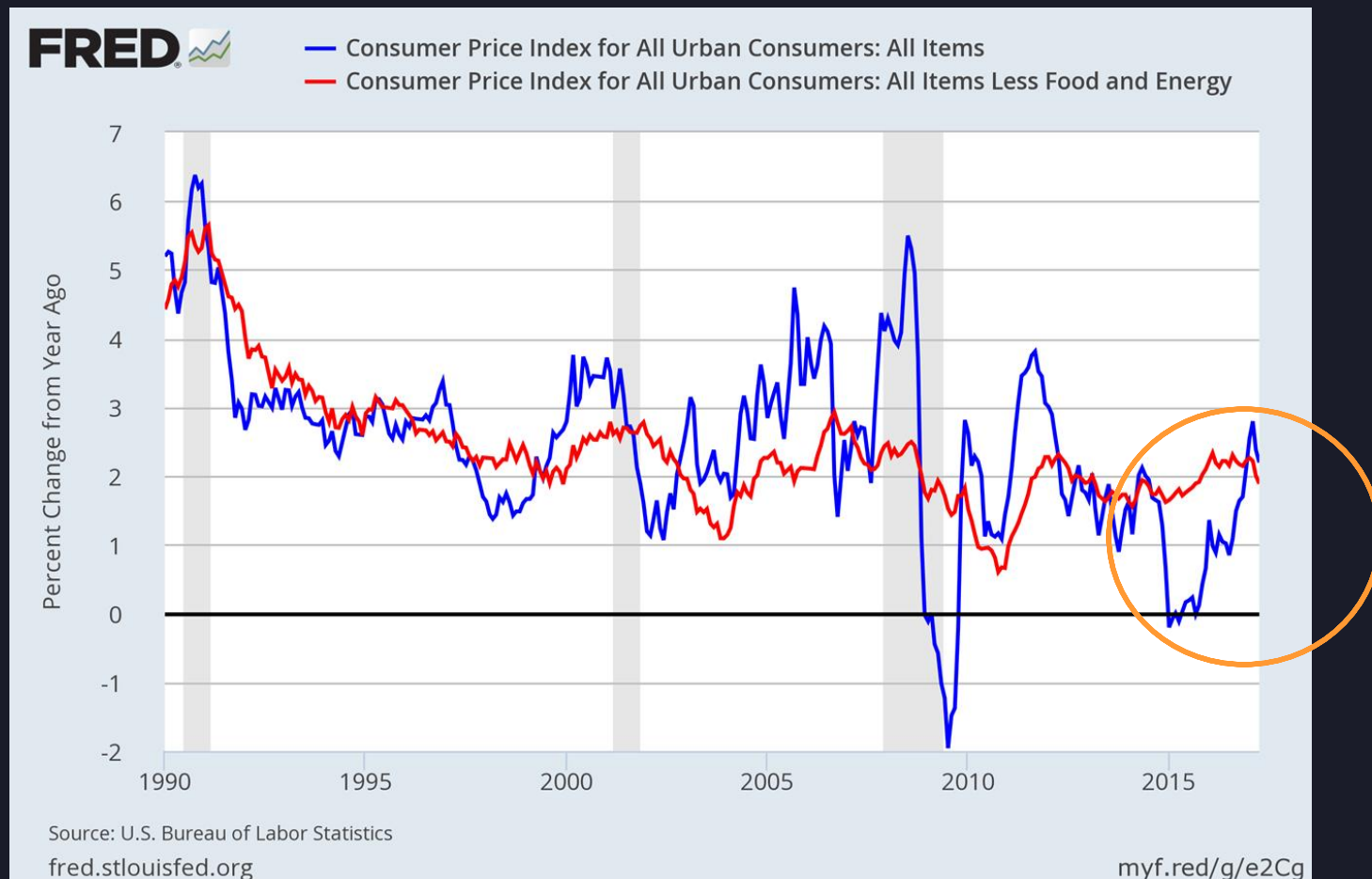


The current economic expansion is the 3rd longest in the postwar period but its accumulated growth is weak

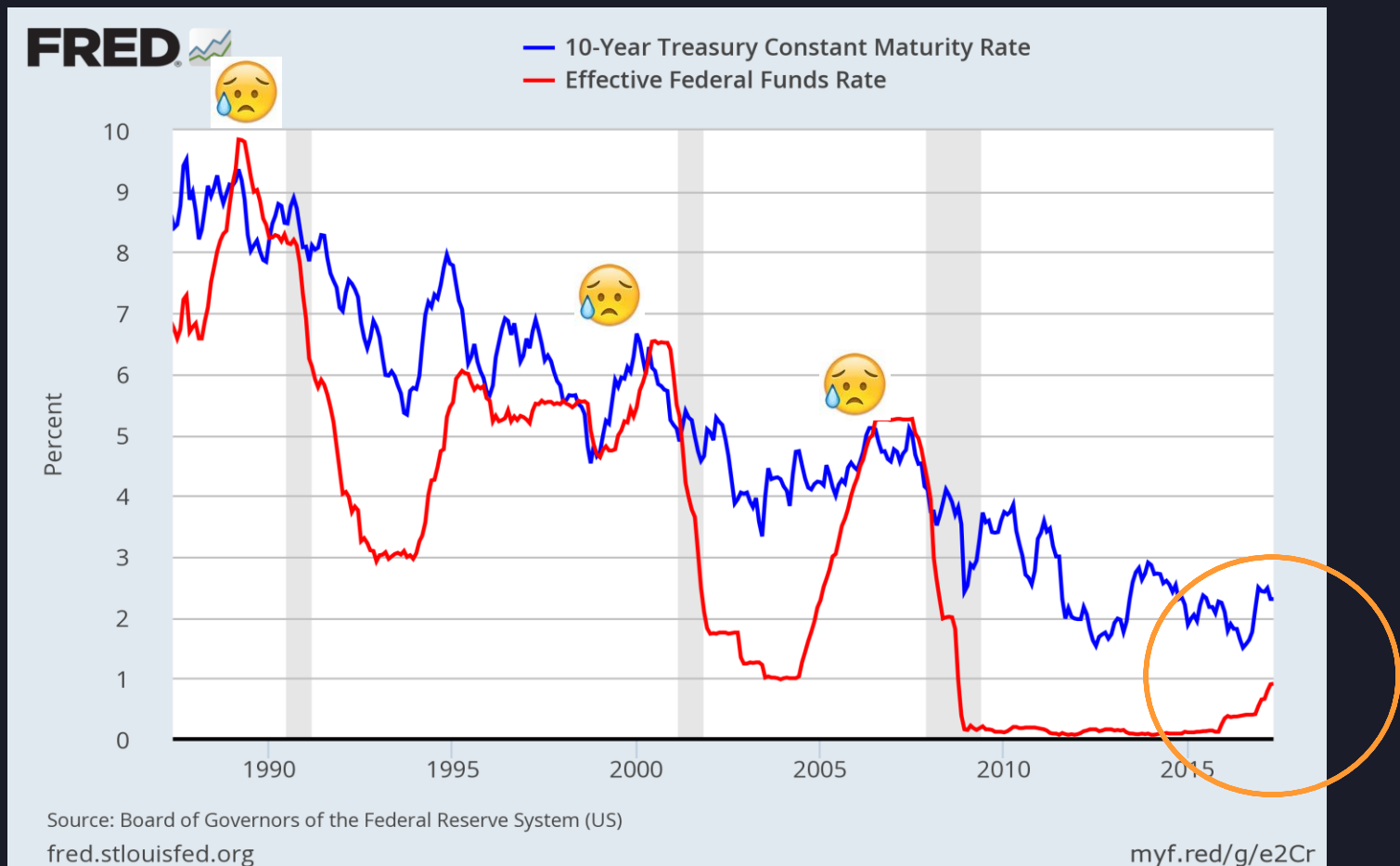
U.S. real GDP percentage change for each business cycle (peak to peak)



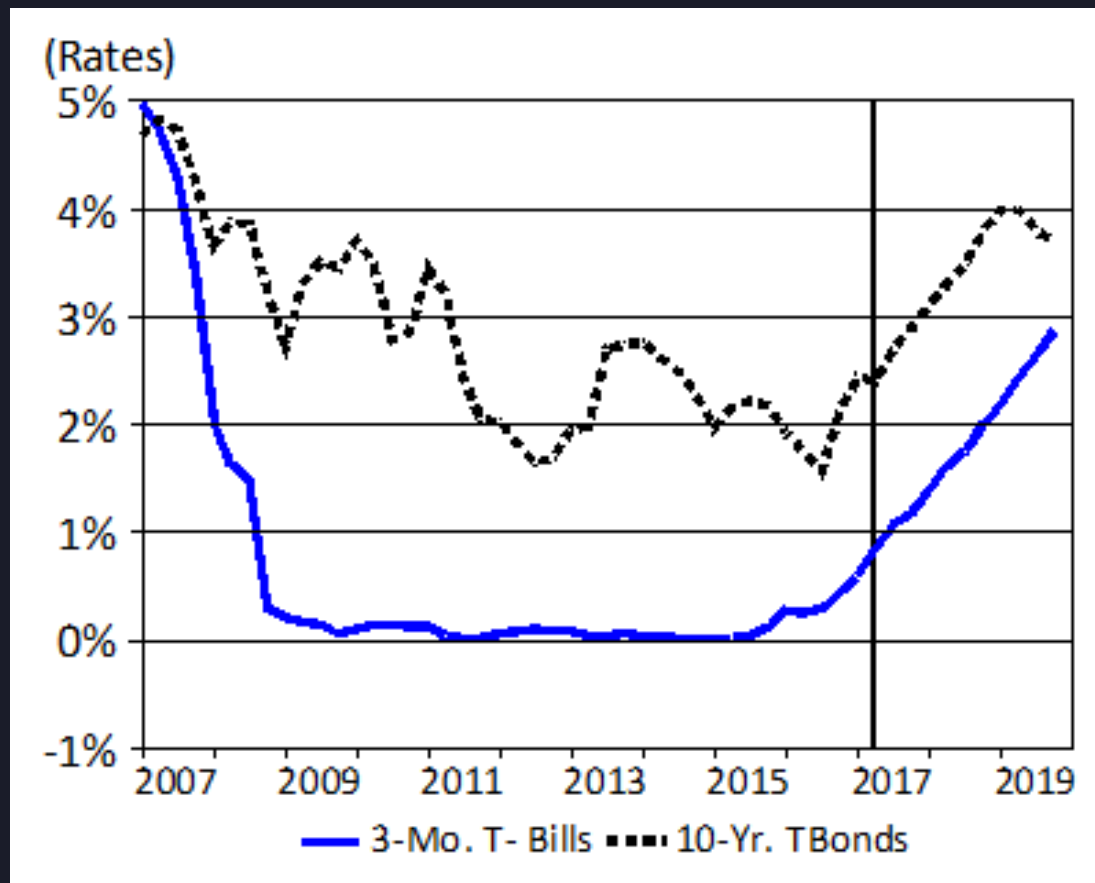
Headline inflation and core inflation are both around 2%



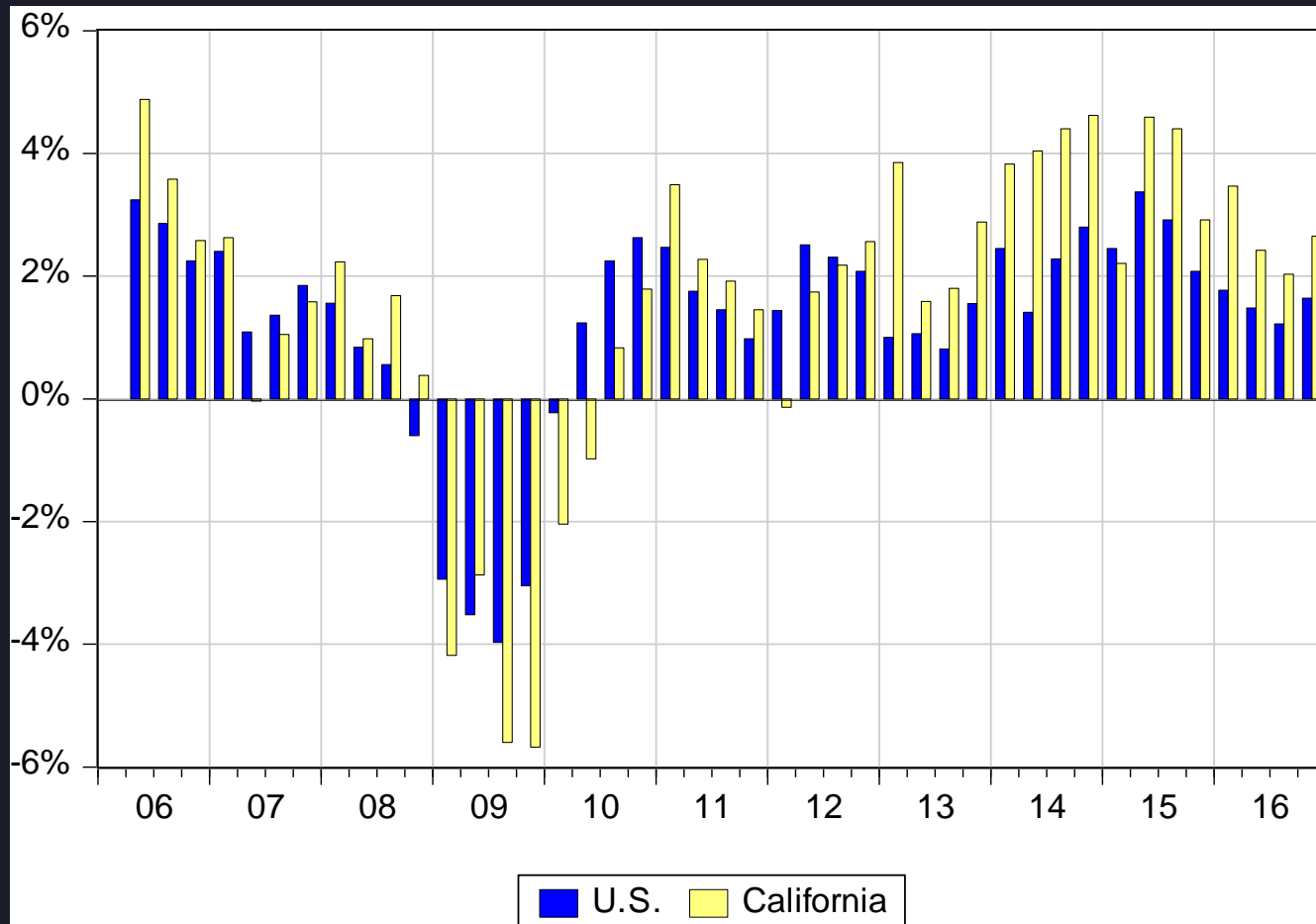
An inverted yield curve would be a leading indicator of the next recession



Interest rates forecast

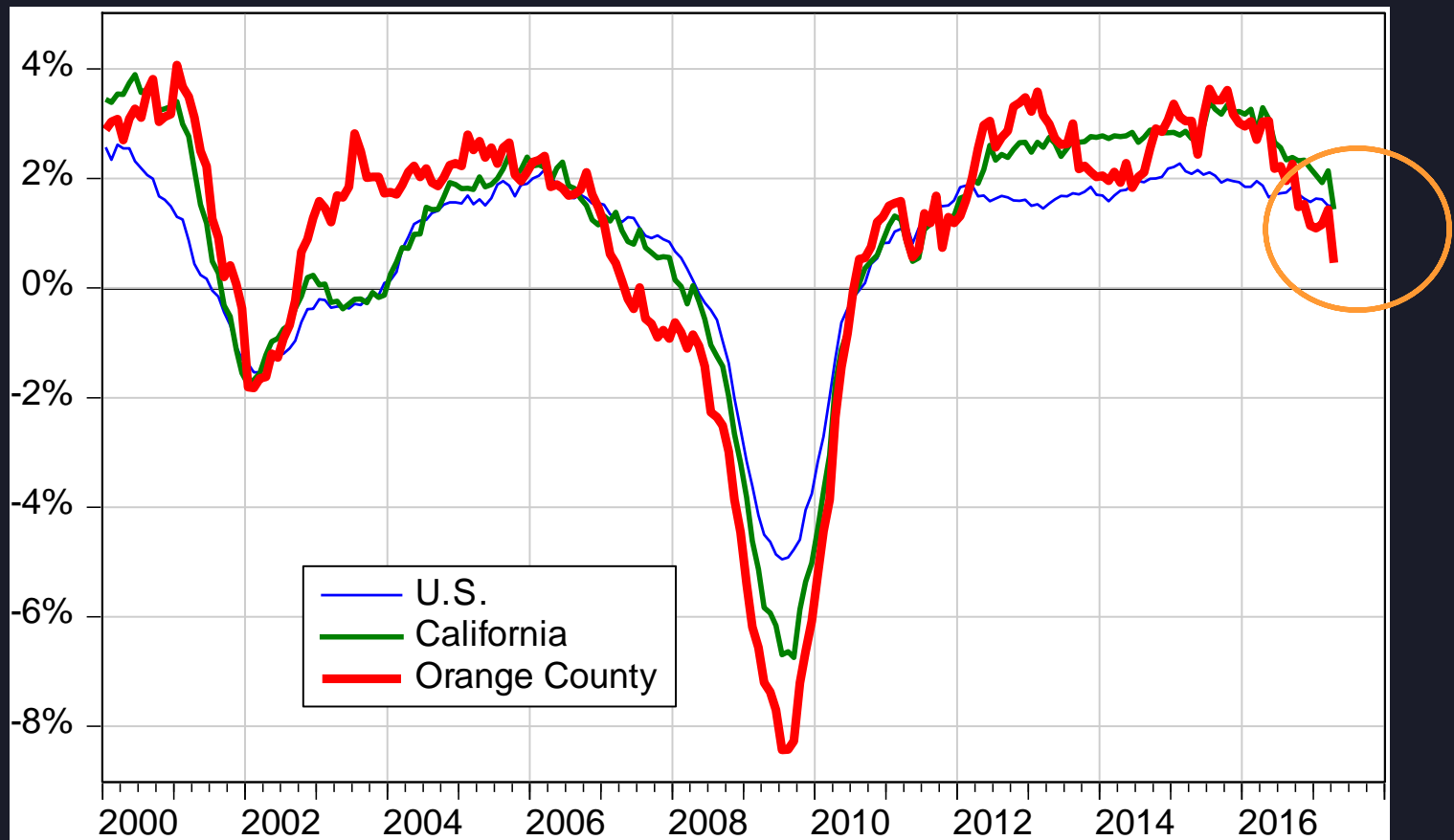


California has higher growth than the nation in the aftermath of Great Recession, real GDP growth

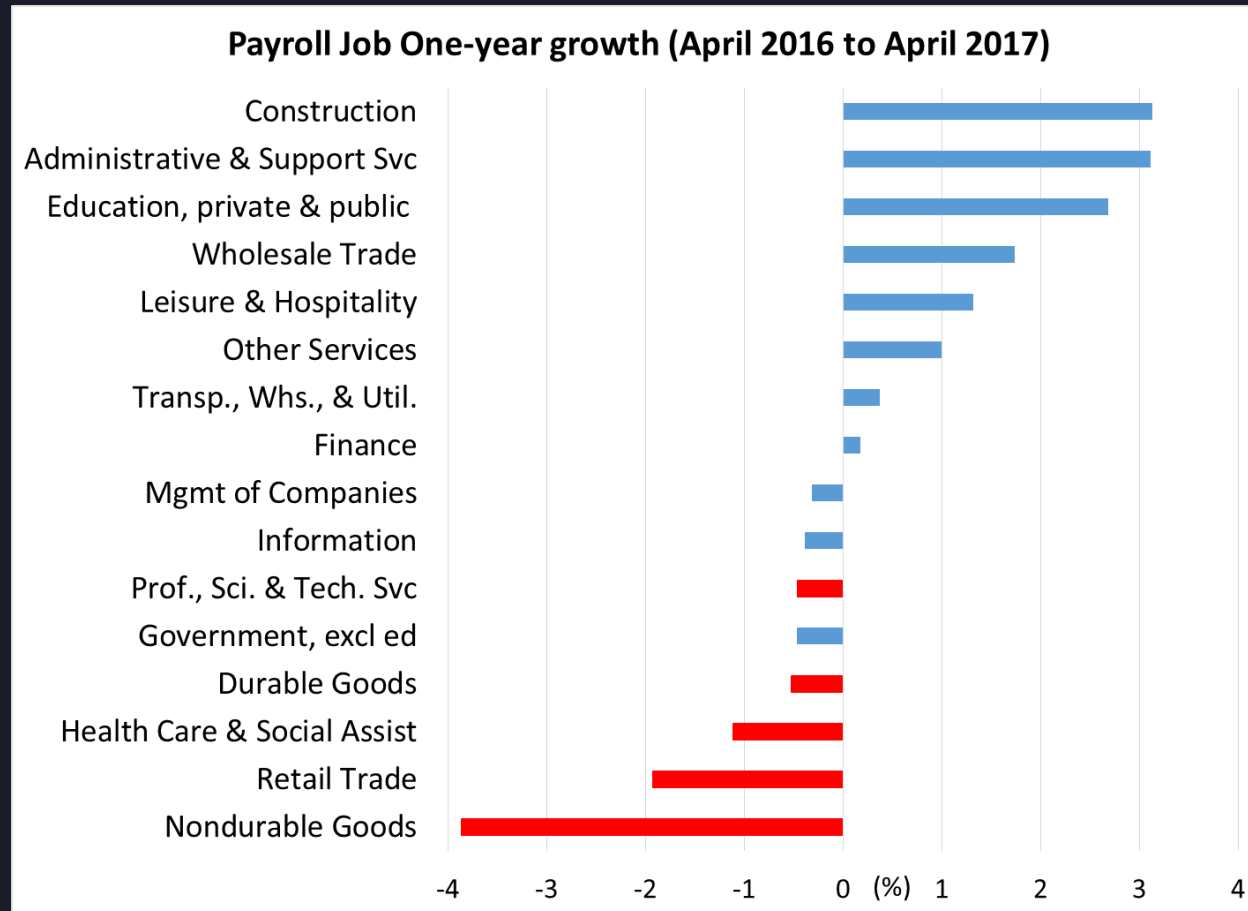


OC and CA have higher economic growth than the nation

Year-over-year payroll employment growth



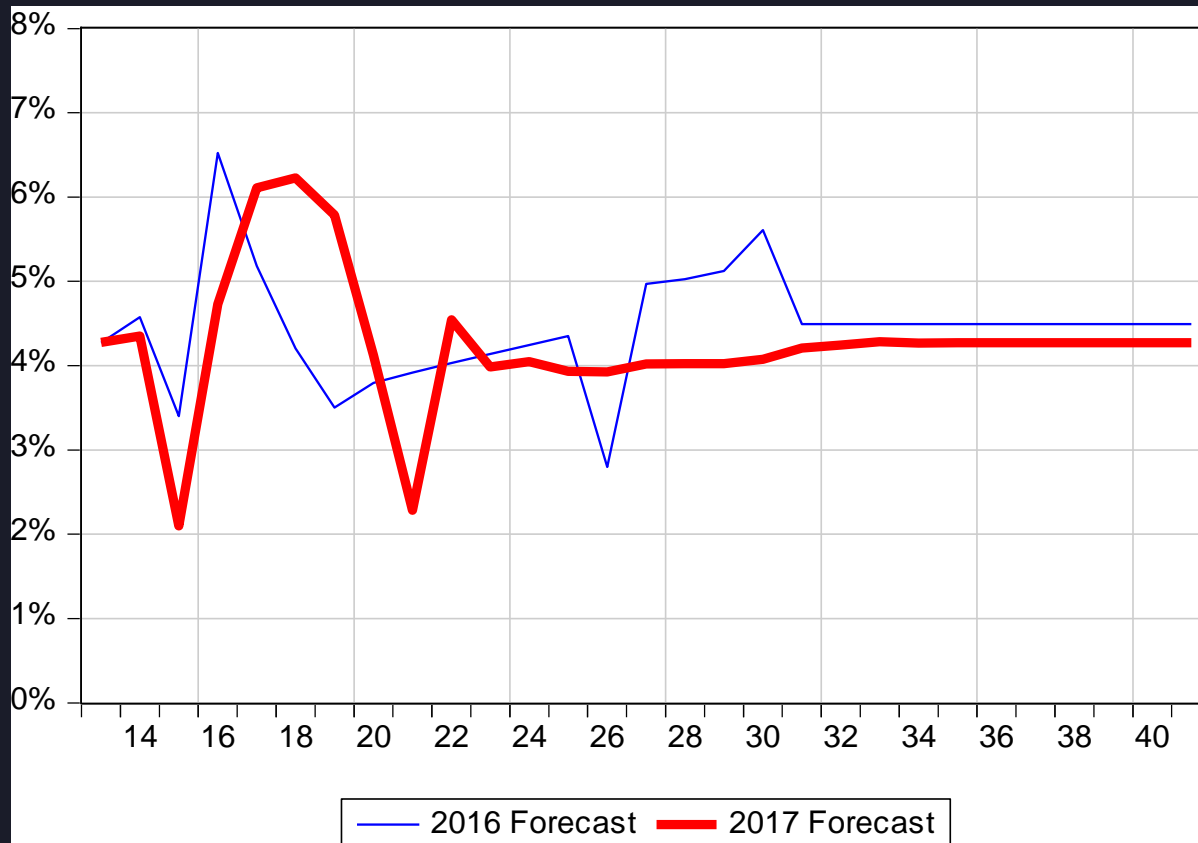
If the payroll number is correct, we should worry about the decline of retail trade, health care, and manufacturing sectors



California Forecast

	2017	2018	2019
Payroll employment	1.6%	1.1%	0.9%
Unemployment rate	4.8%	4.6%	4.5%
Personal income (real)	3.1%	3.3%	3.2%
Housing permits (units)	105.1	115.9	118.7
Population growth	0.7%	0.6%	0.6%

Orange County Taxable Sales Growth



Reasons for Lower long-term forecast:

- Lower inflation
- Lower population growth
 1. Lower fertility
 2. Lower migration



Committee Members Present

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

Staff Present

Darrell Johnson, Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Claridge, Board Specialist
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Michael Hennessey
Miguel Pulido
Todd Spitzer

Call to Order

The May 24, 2017 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:38 a.m.

Pledge of Allegiance

Director R. Murphy led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments.

Special Calendar

2. Taxable Sales Forecast - MuniServices - Doug Jensen, Senior Vice President, Client Services

Andrew Oftelie, Executive Director of Finance and Administration, made opening comments and introduced Doug Jensen, Senior Vice President for MuniServices. Mr. Jensen presented a PowerPoint presentation and highlighted the following areas:

- Topics,
- Transportation Development Act (TDA) Forecast Projection,
- Measure M2 Forecast Projection,
- Assumptions, and
- Historical and Recent Trans in Total and by Category.



2. (Continued)

A lengthy discussion ensued regarding TDA and Measure M2 tax rates, university forecasts, Orange County demographics, and now it is a different economy.

Consent Calendar (Items 3 through 10)

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

3. Approval of Minutes

A motion was made by Director R. Murphy, seconded by Director Steel, and declared passed by those present, to approve the minutes of the May 10, 2017 Finance and Administration Committee meeting.

4. Relocation of West Orange County Water Board Water Line for the Interstate 405 Improvement Project

Director Steel pulled this item and requested a list of the agencies that are impacted by the Interstate 405 Improvement Project.

Darrell Johnson, Chief Executive Officer (CEO), responded that staff would provide the list to all Board members.

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Reimbursement Agreement No. UK151087 with the West Orange County Water Board, in an amount not to exceed \$4.7 million, for the relocation of the 33-inch pipeline that must be moved to accommodate the Interstate 405 Improvement Project.

5. Local Agency Investment Fund - April 2017

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

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

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



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

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

8. Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2017-18

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2017-028 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,675,556,032 for fiscal year 2017-18.

9. Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2017-18

A motion was made by Director Steel, seconded by Director R. Murphy, and declared passed by those present, to adopt Orange County Transportation Authority Resolution No. 2017-029 to establish the Orange County Transportation Authority General Fund appropriations limit at \$11,087,013 for fiscal year 2017-18.

10. Annual Update to Investment Policy

Director R. Murphy pulled this item to inquire on how the treasurer monitors the compliance of the investment managers and what percentage of State of California debt is in the Orange County Transportation Authority's (OCTA) investment portfolio.

Rodney Johnson, Deputy Treasurer of Treasury and Toll Roads, responded that staff uses Clearwater Analytics software to monitor each of the investments and reviews whether it matches the OCTA Investment Policy.

Additionally, Mr. Johnson stated that OCTA does not typically buy a lot of municipal debt.

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

- A. Adopt the 2017 Investment Policy.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2017-18.



Regular Calendar

11. Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2017-18 Budget and Personnel and Salary Resolution

Andrew Oftelie, Executive Director of Finance and Administration, provided opening remarks and presented a PowerPoint as follows:

- Budget Themes,
- Budget Initiatives and Challenges,
- Budget Overview,
- Budget Sources and Uses,
- Budget Adjustments – Uses,
- Total Budget by Program,
- Staffing Levels,
- Employee Compensation Assumptions,
- Personnel and Salary Resolution,
- Recommendations, and
- Next Steps.

Committee Chairman Do inquired on internal reviews on equal pay for equal work.

Janet Sutter, Executive Director of Internal Audit, stated the Personnel and Salary Resolution is an auditable entity and there was an audit approximately two years ago.

Committee Chairman Do requested an updated list of the salary structure.

An additional discussion ensued regarding, Metrolink rail cars and mandatory staff cyber-attack prevention training.

Mr. Johnson, CEO, stated that there are policies and procedures in place to ensure there is an equitable process for merit and special award increases.

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

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2017-18 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2017-18.

11. (Continued)

- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approve fiscal year 2017-18 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority in an amount up to \$28,238,881, including authorization of Federal Transit Administration funds, in the amount of \$6,000,000, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital rehabilitation in the amount of \$7,344,982, offset by \$6,059,016 in Rotem repayment, with the balance paid by Federal Transit Administration funds that will be drawn down directly by Southern California Regional Rail Authority.

Discussion Items

12. Update on Metrolink Internal Audit Peer Review

Janet Sutter, Executive Director of Internal Audit, provided a summary of the results and recommendations of the Association of Local Government Auditors in connection with the Metrolink Internal Audit Peer Review.

A short discussion ensued regarding:

- Current position level of the Metrolink Senior Auditor,
- Concerns of the Senior Auditor position and the transparency to the Metrolink Board and Chief Executive Officer, and
- Possibility of OCTA Directors voicing concerns to Metrolink Executive Staff.

13. 91 Express Lanes Corona Customer Service Center Lease

Kirk Avila, Treasurer and General Manager of the 91 Express Lanes, provided opening comments that the current lease for the 91 Express Lanes Customer Service Center in Corona expires September 30, 2018, and introduced Christina Runge, Senior Financial Analyst of Treasury and Toll Roads.

Mr. Avila presented a PowerPoint on the following:

- Background on Current Location,
- Location Options, and
- Options for the future.



13. (Continued)

Ms. Runge presented a PowerPoint on the following:

- Current and Potential Locations,
- Discuss Options, and
- Next Steps.

A discussion ensued regarding:

- Share the cost of the current space with the Riverside County Transportation Commission (RCTC),
- Changing the location and signing a new agreement with RCTC,
- Costs associated with moving, and,
- Current market cost if renewed.

Rick Warner, Senior Vice President of CBRE, Inc., discussed market value, current location costs, relocation costs, services provided by landlord, and the Main Street location rating.

Mr. Johnson, CEO, stated that staff is soliciting input from the Committee on moving forward to address the customer service space and partnership with RCTC.

14. Chief Executive Officer's Report

Darrell Johnson, CEO, reported on the following:

- On May 27th, staff will be participating in Garden Grove's 59th Annual Strawberry Festival and will provide information about the OC Streetcar project and answer any questions.
- On May 31st, the Orange County Social Services Agency is leading a "Be the One" campaign this summer and will host a press conference. Directors Jones and Spitzer, will speak at this event along with other elected officials and community leaders.

15. Committee Members' Reports

Director Steel introduced Hollie Bahadursingh and Eunice Kim, who are two new interns working for her office this summer.



16. Closed Session

There were no Closed Session items scheduled.

17. Adjournment

The meeting adjourned at 11:59 a.m.

The **Wednesday, June 14, 2017 at 10:30 a.m.**, Finance and Administration Committee meeting has been cancelled.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, June 28, 2017**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Andrew Do
Committee Chairman

Gina Claridge
Deputy Clerk of the Board



June 28, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Oversight Controls and Contract Compliance Related to
Agreements for Public Outreach for the West County Connectors
Project, Internal Audit Report No. 17-509

Overview

The Internal Audit Department has completed an audit of oversight controls and contract compliance related to agreements with Caltrop Corporation for public outreach for the West County Connectors Project. Based on the audit, contract oversight by the project manager, compliance with contract terms by the contractor, and invoice review controls were adequate.

Recommendation

Receive and file the Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project, Internal Audit Report No. 17-509.

Background

The West County Connectors Project (Project) linked carpool lanes on the San Diego Freeway with those on the Garden Grove Freeway and the San Gabriel River Freeway to create a seamless carpool connection among the three freeways. Public outreach for the Project was provided by internal staff and two contracts with Caltrop Corporation (Caltrop). The first contract with Caltrop, Agreement No. C-7-1479, provided assistance in developing and conducting a comprehensive public outreach program during the design/pre-construction phase of the Project. The contract was a firm-fixed price agreement for the period from December 2007 through December 2009, in the amount of \$114,084.

The second contract with Caltrop, Agreement No. C-9-0252, provided assistance in developing and implementing a comprehensive public outreach program for the construction phase of the Project. This contract was a time and expense agreement for the period of March 2010 through April 2015, in the amount of \$1,250,979.

Discussion

The Internal Audit Department (Internal Audit) determined that invoices were properly approved, labor hours were adequately supported and consistent with contracted rates, subcontractor costs were adequately supported, and monthly progress reports were provided as required. In addition, Internal Audit confirmed that deliverables outlined in the agreements were provided.

Summary

Internal Audit has completed an audit of Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project, Internal Audit Report No. 17-509.

Attachment

- A. Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project, Internal Audit Report No. 17-509

Prepared by:



Gerry Dunning
Senior Internal Auditor, Internal Audit
714-560-5875

Approved by:



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

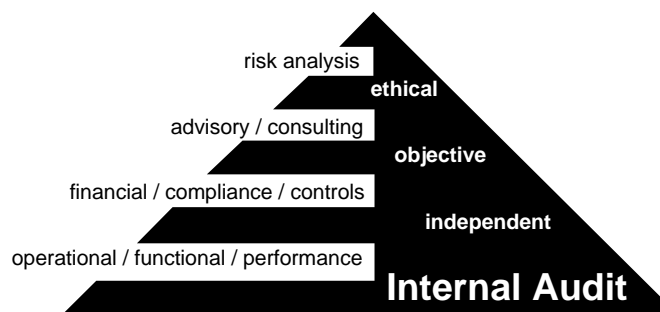
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Oversight Controls and Contract Compliance Related to Agreements for Public Outreach for the West County Connectors Project

Internal Audit Report No. 17-509

June 7, 2017



Performed by: Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor
Janet Sutter, CIA, CFE, Executive Director

Distributed to: Lance Larson, Executive Director, External Affairs
Alice Rogan, Director, Marketing and Public Outreach
Christina Byrne, Section Manager, Capital Projects Outreach

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Oversight Controls and Contract Compliance related to
Agreements for Public Outreach for the
West County Connectors Project
June 7, 2017**

Table of Contents

Conclusion 1

Background 1

Objectives, Scope, and Methodology 2

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Oversight Controls and Contract Compliance related to
Agreements for Public Outreach for the
West County Connectors Project
June 7, 2017**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of oversight controls and contract compliance related to agreements with Caltrop for public outreach for the West County Connectors Project (Project). Based on the audit, contract oversight by the project manager, compliance with contract terms by the contractor, and invoice review controls were adequate.

Background

The Public Outreach Department within the External Affairs Division is responsible for providing public communications in support of capital projects. The primary goal of a public outreach program is to inform motorists, merchants, employers, local residents, elected officials, and government agencies about construction impacts and steps that can be taken to minimize those impacts. In order to provide public outreach support for an extensive number of projects, the External Affairs Department utilizes both staff and contractors.

A supplemental goal of community outreach is to bring the concerns and challenges of community members back to the technical team to find solutions. These solutions are then shared with the community, thus providing a continuous information loop between the public and the project.

The Project linked carpool lanes on the San Diego Freeway with those on the Garden Grove Freeway and the San Gabriel River Freeway to create a seamless carpool connection among the three freeways. The six-mile Project traversed the cities of Garden Grove, Westminster, Seal Beach, Los Alamitos, and Long Beach as well as the community of Rossmore. The Project was divided into an East Segment, which began construction in September 2010, and a West Segment, which began construction in January 2011. The Project was completed in December 2014 at a total cost of \$297 million.

Public outreach for the Project was provided by internal staff and two contracts with Caltrop Corporation (Caltrop). The first contract with Caltrop, Agreement No. C-7-1479, was for assistance in developing and conducting a comprehensive public outreach program during the design/pre-construction phase of the Project. The contract was a firm fixed price agreement for the period from December 2007 through December 2009, for \$114,084.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Oversight Controls and Contract Compliance related to
Agreements for Public Outreach for the
West County Connectors Project
June 7, 2017**

The second contract with Caltrop, Agreement No. C-9-0252, was for assistance in developing and implementing a comprehensive public outreach program for the construction phase of the Project. This contract was a time and expense agreement for the period March 2010 through April 2015, for \$1,250,979.

Objectives, Scope, and Methodology

The objectives were to assess the adequacy of oversight controls and contract compliance related to agreements with Caltrop for public outreach for the Project.

The methodology consisted of a review of a sample of paid invoices for evidence of proper approval and compliance with contract terms, and verification that deliverables were provided as required by the contract.

The scope was limited to the two contracts with Caltrop, Agreement Nos. C-7-1479 and C-9-0252.

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.



June 28, 2017

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

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending May 31, 2017. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 2017, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$72,482,429,208 with a month-average yield of 0.93 percent and a month-end weighted average maturity of 186 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$23,042,541,449. The Orange County Transportation Authority's month-end balance in LAIF was \$10,253,754.

Summary

The Orange County Transportation Authority is submitting a copy of the Local Agency Investment Fund statements and summary reports to the Finance and Administration Committee. The statements are for the month ending May 31, 2017.

Attachment

A. Local Agency Investment Fund – As of May 31, 2017

Prepared by:



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

Approved by:



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

ATTACHMENT A

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

www.treasurer.ca.gov/pmia-laif/laif.asp
June 13, 2017

ORANGE COUNTY TRANSPORTATION AUTHORITY

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

PMIA Average Monthly Yields

Account Number:
80-30-001

Tran Type Definitions

May 2017 Statement

Account Summary

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



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
05/13/17	0.92	0.89	193
05/14/17	0.92	0.90	193
05/15/17	0.92	0.90	190
05/16/17	0.92	0.90	190
05/17/17	0.92	0.90	191
05/18/17	0.93	0.90	190
05/19/17	0.93	0.90	191
05/20/17	0.93	0.90	191
05/21/17	0.93	0.90	191
05/22/17	0.93	0.90	188
05/23/17	0.93	0.90	187
05/24/17	0.93	0.90	184
05/25/17	0.93	0.90	183
05/26/17	0.94	0.90	190
05/27/17	0.94	0.90	190
05/28/17	0.94	0.90	190
05/29/17	0.94	0.90	190
05/30/17	0.94	0.90	187
05/31/17	0.94	0.91	186
06/01/17	0.95	0.91	190
06/02/17	0.95	0.91	191
06/03/17	0.95	0.91	191
06/04/17	0.95	0.91	191
06/05/17	0.95	0.91	191
06/06/17	0.95	0.91	191
06/07/17	0.95	0.91	188
06/08/17	0.95	0.91	189
06/09/17	0.96	0.91	188
06/10/17	0.96	0.91	188
06/11/17	0.96	0.91	188
06/12/17	0.96	0.91	184

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

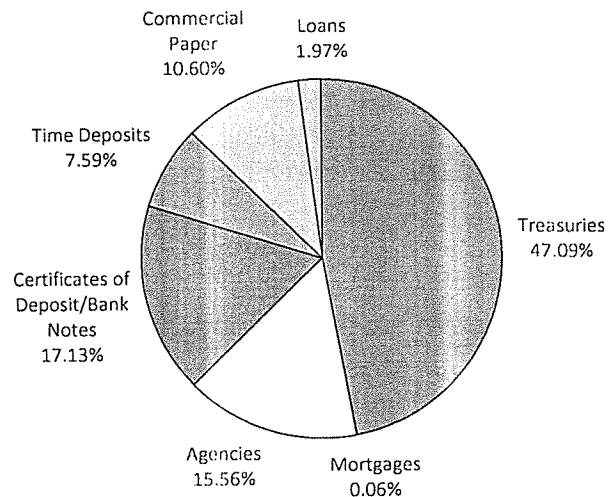
Quarter Ending 03/31/17

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

**PMIA Average Monthly
Effective Yields**

May 2017 0.925%
 Apr 2017 0.884%
 Mar 2017 0.821%

**Pooled Money Investment Account
Portfolio Composition
05/31/17
\$72.4 billion**



Based on data available as of 6/12/2017



Fair Value Including Accrued Interest	\$	72,482,429,208.32
---------------------------------------	----	-------------------

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



June 28, 2017

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

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending May 31, 2017. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 2017, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,560,003,020 with a monthly gross yield of 0.81 percent and a month-end average days to maturity of 56 days. The OCIP Extended Fund book value was \$5,900,599,804 with a monthly gross yield of 1.10 percent and a month-end average days to maturity of 494 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$39,305; the combined pool had a monthly gross yield of 1 percent and month-end average days to maturity of 341 days.

There were no changes to the Treasurer's Approved Issuer List. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 26 through 96 containing investment inventory are not included in the attachment. Copies of OCIP's investment inventory reports are available upon request.

Summary

The Orange County Transportation Authority is submitting a copy of the Orange County Treasurer's Management Report to the Finance and Administration Committee. The report is for the month ending May 31, 2017.

Attachment

A. Treasurer's Monthly Investment Report – May 31, 2017

Prepared by:



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

Approved by:



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

Treasurer's Monthly **INVESTMENT** MAY 2017 **REPORT**

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



COUNTY OF ORANGE

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

Table of Contents

I.	Memo to Board of Supervisors-Executive Summary	3
II.	Investment Pool Summary, Statistics and Charts, Fund Composition, Top Ten Participants	5
III.	Investment Objectives	12
	- <i>Safety - Investment Type/Credit Quality/Issuer Concentration/Issuer List</i>	
	- <i>Liquidity - Maturities Distribution</i>	
	- <i>Yield - Interest Rate Yield</i>	
IV.	Cash Availability Projection per California Government Code Section 53646(b)(3)	21
V.	Statement of Accountability	22
VI.	Investment Policy and Treasury Oversight Committee (TOC) Bylaws Compliance Summary	23
	- <i>Investment Policy Compliance Summary</i>	
	- <i>Investment Policy and TOC Bylaws Compliance Summary</i>	
	- <i>Noncompliance Detail</i>	
VII.	Portfolio Investment Inventory with Market Values	26
	- <i>Extended Fund, County and Educational Money Market Funds</i>	
	- <i>John Wayne Airport Investment Pool/Non-pooled Investments</i>	
	- <i>Investments with Trustees - CEO/Public Finance</i>	
	- <i>Investments with Trustees - John Wayne Airport</i>	
	- <i>Portfolio Holdings of Debt Issued by Pool Participants</i>	
	- <i>Temporary Transfers to School Districts</i>	
VIII.	Detailed Transaction Reports	66
	- <i>Transaction Report by Fund for all Funds</i>	
	- <i>Money Market Mutual Fund and LAIF Transactions</i>	
IX.	Audit Reports	97
	- <i>Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2017</i>	
	- <i>Report on Audit of the Schedule of Assets Held by the County Treasury as of June 30, 2016</i>	
	- <i>Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2016</i>	
	- <i>Management Letter on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016</i>	
X.	Distribution List	138



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



INTERDEPARTMENTAL COMMUNICATION

Date: June 15, 2017
To: Supervisor Michelle Steel, Chairwoman
Supervisor Andrew Do, Vice-Chair
Supervisor Todd Spitzer
Supervisor Shawn Nelson
Supervisor Lisa Bartlett
From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *54*
Subject: Treasurer's Investment Report for the Month Ended May 31, 2017

Attached, please find the Treasurer's Investment Report for the County of Orange for the month ended May 31, 2017. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of May 31, 2017. The Investment Pool Statistics summary shows the total investment responsibility of the County Treasurer as delegated by the Board of Supervisors: the Orange County Investment Pool (OCIP) that includes the Voluntary Participants' funds, the Orange County Educational Investment Pool (OCEIP), the John Wayne Airport Investment Fund and various other non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

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

The maximum maturity of investments for the Orange County and Educational Money Market Funds is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 56 and 57, respectively. The maximum maturity of investments for the John Wayne Investment Fund is 15 months, with a maximum WAM of 90 days, and a current WAM of 71. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.38), and the duration is currently at 1.34. The investments in all of the funds are marked to market daily to determine the value of the funds. To further maintain safety, adherence to an investment strategy of only purchasing top-rated securities and diversification of instrument types and maturities is required.

ECONOMIC UPDATE

In May, the job market added 138,000 new jobs, and April's job numbers were revised downward by 37,000 to 174,000. The U.S. unemployment rate for May fell to 4.3%, down from 4.4% in April. U.S. gross domestic product (GDP) increased at a 1.2% annualized rate in first quarter of 2017, a decrease from the previous quarter's rate of 2.1%. The Empire State Manufacturing Index fell to -1.0 from 5.2 in May, while the Philadelphia Fed Index increased to 38.8 from 22.0 in May. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, S&P/CaseShiller reported that housing prices continue to show positive momentum as year-over-year prices increased for the fifty-ninth consecutive month in March, up 5.75% from a year ago. The index for pending home sales decreased 5.39% on a year-over-year basis in April. The benchmark Federal Funds rate remains in a target range of 0.75 percent to 1.00 percent as a result of the two 0.25 percent increases by the Federal Open Markets Committee (FOMC) in their

December, 2016 and March, 2017 meetings. On June 14, 2017, the FOMC raised the benchmark Federal Funds rate by 0.25 percent resulting in a new target range of 1.00 percent to 1.25 percent.

The 10-year Treasury rate fell from 2.29% in April to 2.21% in May. The short-term 90-day T-bill ended the month at 0.98%, up from 0.80% in April and the rate on the 2-year Treasury note was unchanged at 1.28% at the end of May.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2016/2017 is 0.85% for the OCIP and 0.86% for the OCEIP. The current net yield for fiscal year 2016/2017 is 0.79% and 0.80% respectively. The forecasted net yield for fiscal year 2016/2017 for both OCIP and OCEIP will exceed the net forecasted yield of .77%.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

Each month, the County Treasurer apportions the accrued interest earnings to each pool participant. As of the first business day of the following month accrued, but unpaid, interest earnings are added to pool participants' average balances in determining a participant's relative share of the pool's monthly earnings. The actual cash distribution will generally be paid in the month following. The May, 2017 interest apportionment is expected to be paid by June 30, 2017. The investment administrative fee for fiscal year 2016/2017 is estimated to be lower than 6.5 basis points, primarily due to higher average balances for the two investment pools than originally estimated and higher cost savings during the year. The monthly investment fee charged in May, 2017 was reduced from 6.5 basis points to 4.5 basis points.

TEMPORARY TRANSFERS

The County Treasurer, as required by Constitution Article XVI, Section 6, and per the Board of Supervisor's Resolution 15-016, is authorized to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer, as the banker for the school districts. There are no temporary transfers outstanding as of May 31, 2017.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. The Investment Pools have a total market value of \$388.3 million in County of Orange debt, which represents approximately 4.3% of pooled assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had no compliance exceptions for the month of May 2017. The Auditor-Controller issued their report on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2017 that identified no compliance deficiencies. The Auditor-Controller issued their Report on Audit of the Schedule of Assets Held by the County Treasury (Schedule) as of June 30, 2016 stating that the Schedule was presented fairly in accordance with the modified cash-basis of accounting. The Auditor-Controller issued their Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2016 stating that they were not aware of any material modifications that should be made to the financial statements prepared on a modified cash-basis of accounting except for the omission of all disclosures. The County Treasurer's current practice is to only prepare all required disclosures only in the Schedule for each fiscal year-end and not for the quarterly reviews. Finally, the Auditor-Controller issued a Management Letter dated May 31, 2017 that identified a control deficiency regarding several bank accounts that were reported by the County Treasurer as Treasury assets, but not included in the County Treasurer's cash and investment accounts due to a system limitation. The County Treasurer plans to add and track these accounts as part of a system upgrade in 2017.

CREDIT UPDATE

During May, there were two changes to the Treasurer's Approved Issuer List. Royal Bank of Canada and Toronto Dominion Bank were both downgraded one notch by Moody's, from Aa3 to A1 and Aa1 to Aa2 respectively, and both issuer ratings remain on Negative Outlook. Both issuers had been already put on hold by the Credit Investment Committee in July, 2016 and March, 2017 respectively. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of May 31, 2017 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on November 22, 2016. The investments herein shown provide adequate liquidity to meet the next six months of projected cash flow requirements. I am available if you have any questions on this Investment Report at (714) 834-7625.

Enclosures

cc: Distribution List

ORANGE COUNTY TREASURER-TAX COLLECTOR

SUMMARY OF INVESTMENT DATA

INVESTMENT TRENDS

	MAY 2017	APRIL 2017	INCREASE (DECREASE)	NET CHANGE %	MAY 2016	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ¹	\$ 4,448,425,471	\$ 4,813,646,800	\$ (365,221,329)	-7.59%	\$ 4,081,055,802	\$ 367,369,669	9.00%
End Of Month Book Value	\$ 4,454,297,799	\$ 4,819,878,734	\$ (365,580,945)	-7.58%	\$ 4,078,244,062	\$ 376,053,727	9.22%
Monthly Average Balance ²	\$ 4,628,711,980	\$ 5,311,881,303	\$ (683,169,323)	-12.86%	\$ 4,207,856,376	\$ 420,855,604	10.00%
Year-To-Date Average Balance	\$ 4,191,096,602	\$ 4,147,335,065	\$ 43,761,538	1.06%	\$ 3,813,750,709	\$ 377,345,893	9.89%
Monthly Accrued Earnings ³	\$ 3,913,084	\$ 4,074,936	\$ (161,851)	-3.97%	\$ 2,566,951	\$ 1,346,134	52.44%
Monthly Net Yield ³	0.95%	0.86%	0.09%	9.95%	0.65%	0.30%	46.15%
Year-To-Date Net Yield ³	0.79%	0.78%	0.01%	1.67%	0.56%	0.23%	41.61%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.64%	0.20%	30.43%
Weighted Average Maturity (WAM)	341	315	26	8.25%	375	(34)	-9.07%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,631,728,793	\$ 4,809,479,447	\$ (177,750,654)	-3.70%	\$ 4,179,978,557	\$ 451,750,236	10.81%
End Of Month Book Value ²	\$ 4,637,838,311	\$ 4,816,002,165	\$ (178,163,854)	-3.70%	\$ 4,176,962,111	\$ 460,876,200	11.03%
Monthly Average Balance	\$ 4,683,368,969	\$ 4,495,979,203	\$ 187,389,766	4.17%	\$ 4,299,345,230	\$ 384,023,739	8.93%
Year-To-Date Average Balance	\$ 4,107,345,192	\$ 4,049,742,814	\$ 57,602,378	1.42%	\$ 3,807,051,947	\$ 300,293,244	7.89%
Monthly Accrued Earnings ³	\$ 3,980,638	\$ 3,695,190	\$ 285,449	7.72%	\$ 2,559,818	\$ 1,420,821	55.50%
Monthly Net Yield ³	0.95%	0.93%	0.02%	2.36%	0.63%	0.32%	51.43%
Year-To-Date Net Yield ³	0.80%	0.79%	0.01%	1.65%	0.57%	0.23%	39.44%
Annual Estimated Gross Yield ⁴	0.84%	0.84%	0.00%	0.00%	0.65%	0.19%	28.64%
Weighted Average Maturity (WAM)	341	326	15	4.60%	357	(16)	-4.48%

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

² In May 2017, OCIP monthly average balance decreased from the prior month primarily due to distributions of secured property tax receipts. OCIP monthly average balance increased from May 2016 primarily due to higher secured property tax receipts. OCEIP market value and book value increased from the prior year primarily due to proceeds from a significant number of school and community college districts issuing bonds.

³ In May 2017, OCIP and OCEIP monthly accrued earnings, monthly and year-to-date net yields were higher than May 2016 due to increases in the Federal Reserve short-term rate of 0.5 percent and investments in higher yielding securities, and higher average pool balances.

⁴ The OCIP and OCEIP Annual Estimated Gross Yield for May 2016 is reported at the actual annual gross yield for FY15/16, and their Annual Estimated Gross Yield for May 2017 is reported at the original forecasted gross yields of 0.84% which is expected to be exceeded. The Annual Estimated Gross Yield for FY 16/17 is higher than FY 15/16 due to increases of the Federal Reserve short-term rate of 0.5 percent, reductions in excess liquidity, and improved cash management while maintaining the same high credit quality of securities.

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

INVESTMENT STATISTICS - By Investment Pool*

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 05/31/17	MONTHLY Gross Yield	Current NAV
COMBINED POOL BALANCES (includes the Extended Fund)					
Orange County Investment Pool (OCIP)	MARKET Value \$ 4,448,425,471 COST (Capital) \$ 4,460,612,778 MONTHLY AVG Balance \$ 4,628,711,980 BOOK Value \$ 4,454,297,789	341	1.01%	1.00%	1.00
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 4,631,728,793 COST (Capital) \$ 4,644,877,141 MONTHLY AVG Balance \$ 4,683,368,969 BOOK Value \$ 4,637,838,311	341	1.02%	1.00%	1.00

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST
Specific Investment		
Funds:	MARKET Value \$ 153,813,778 COST (Capital) \$ 153,839,553 MONTHLY AVG Balance \$ 153,827,738 BOOK Value \$ 153,802,439	General Fund - Non AMT Restricted \$ 67,458,736 John Wayne Airport Investment Fund 50,434,460 Repurchase Agreement 1,081,500 Fountain Valley School District Fund 40 34,864,857
100, 283, 505, 650 FVSD		\$ 153,839,553

MONTH END TOTALS

INVESTMENTS & CASH		INVESTMENTS & CASH	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 1,559,352,608	OCIP	\$ 4,462,332,656
County Cash	1,719,878	OCEIP	4,652,676,960
EXTENDED FUND	5,914,800,170	Specific Investment Funds	153,839,553
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non Pooled Cash	19,013,474
Educational Money Market Fund	1,631,337,141		
Educational Cash	7,799,819		
NON POOLED INVESTMENTS & CASH			
Non Pooled Investments	153,839,553		
Non Pooled Cash	19,013,474		
	\$ 9,287,862,643		\$ 9,287,862,643

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	0.81%	OCMMF	56
OCEMMF - MONTHLY GROSS YIELD	0.82%	OCEMMF	57
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	0.78%	JOHN WAYNE AIRPORT WAM	71
OCIP - YTD NET YIELD***	0.79%	LGIP WAM (Standard & Poors)	42
OCEIP - YTD NET YIELD***	0.80%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	0.90%		

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

INVESTMENT STATISTICS - By Investment Fund****

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 05/31/17	MONTHLY Gross Yield	Current NAV
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,559,912,721 COST (Capital) \$ 1,559,352,608 MONTHLY AVG Balance \$ 1,723,379,271 BOOK Value \$ 1,560,003,020	56	0.83%	0.81%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,631,429,543 COST (Capital) \$ 1,631,337,141 MONTHLY AVG Balance \$ 1,669,828,969 BOOK Value \$ 1,631,533,276	57	0.83%	0.82%	1.00
<u>Extended Fund</u>	MARKET Value \$ 5,888,812,000 COST (Capital) \$ 5,914,800,170 MONTHLY AVG Balance \$ 5,918,872,709 BOOK Value \$ 5,900,599,804	494	1.12%	1.10%	1.00
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <u>OCIP Share</u>	MARKET Value \$ 2,888,512,750 COST (Capital) \$ 2,901,260,170 MONTHLY AVG Balance \$ 2,905,332,709 BOOK Value \$ 2,894,294,769	494	1.12%	1.10%	1.00
<u>OCEIP Share</u>	MARKET Value \$ 3,000,299,250 COST (Capital) \$ 3,013,540,000 MONTHLY AVG Balance \$ 3,013,540,000 BOOK Value \$ 3,006,305,035	494	1.12%	1.10%	1.00
<u>Modified Duration</u>	1.34				

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

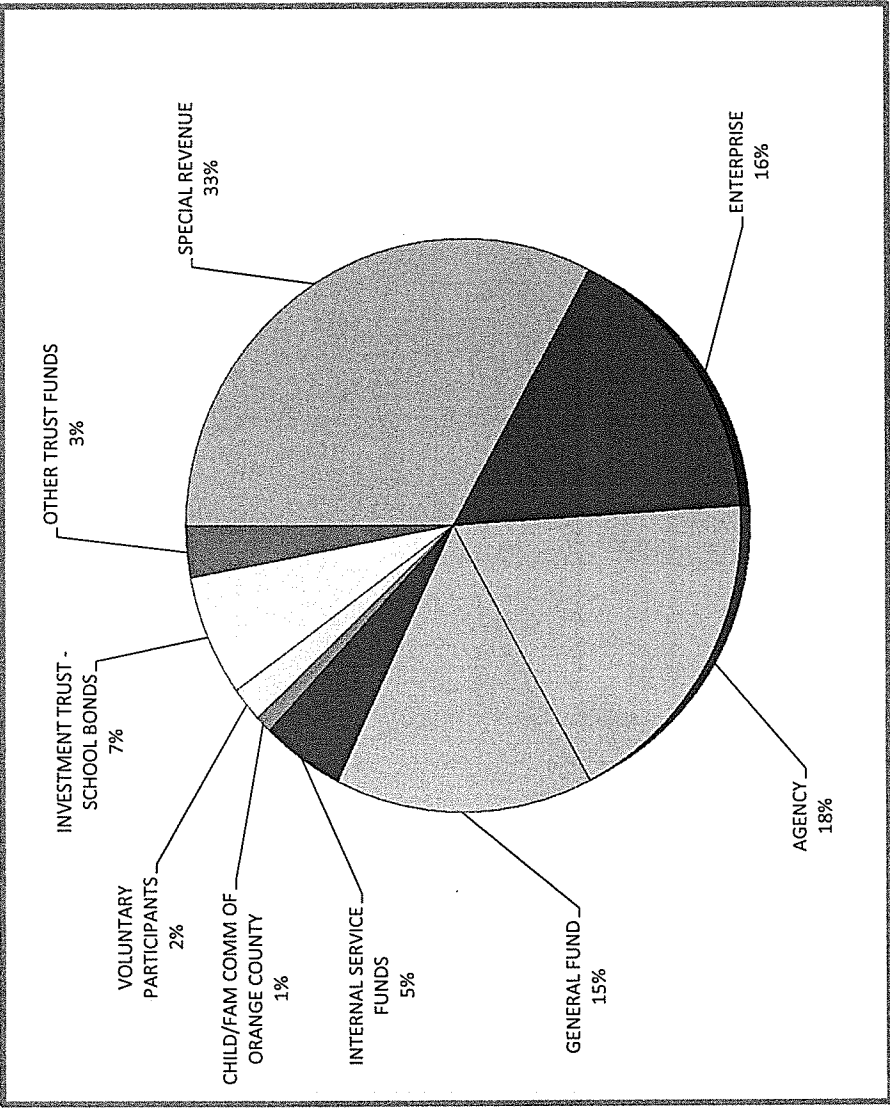
** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

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

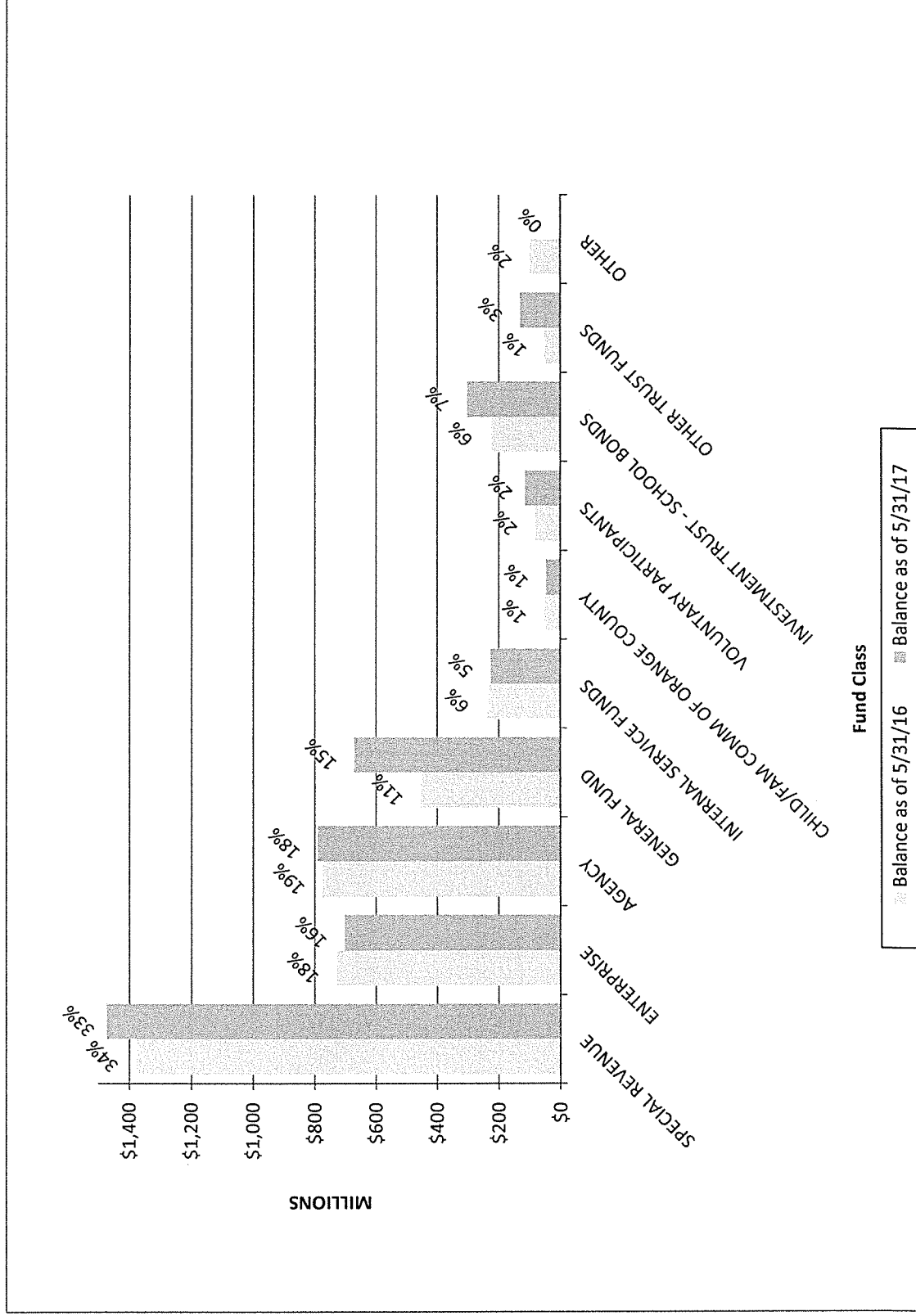
**** Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

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

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,473,144,282
AGENCY	790,923,353
ENTERPRISE	703,595,614
GENERAL FUND	672,100,412
INVESTMENT TRUST - SCHOOL BONDS	302,752,025
INTERNAL SERVICE FUNDS	227,010,010
VOLUNTARY PARTICIPANTS	115,657,744
CHILD/FAM COMM OF ORANGE COUNTY	46,647,760
OTHER TRUST FUNDS	130,501,456
TOTAL	\$ 4,462,332,656

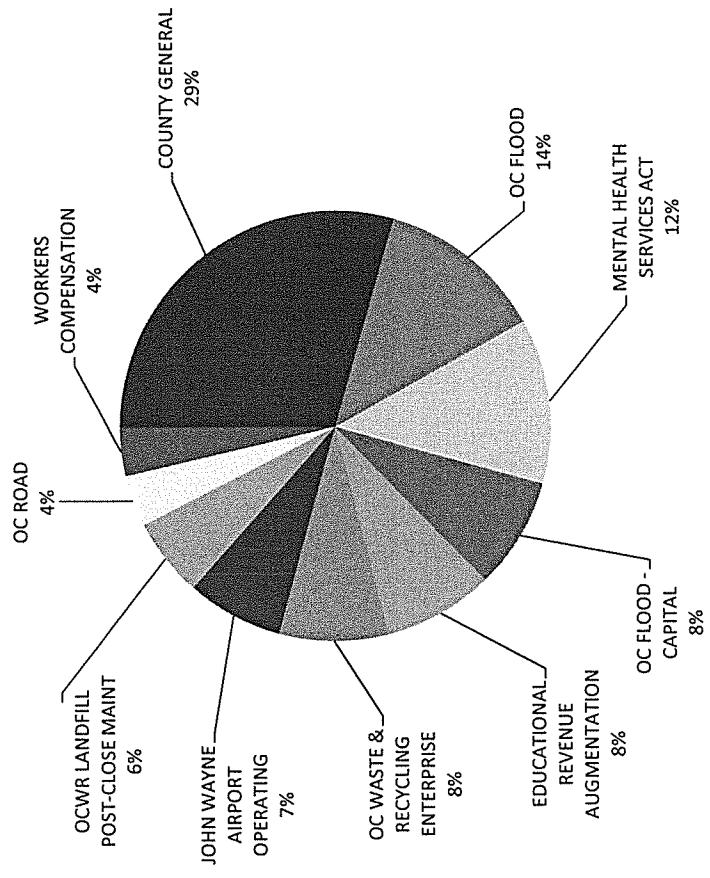


ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF MAY 31



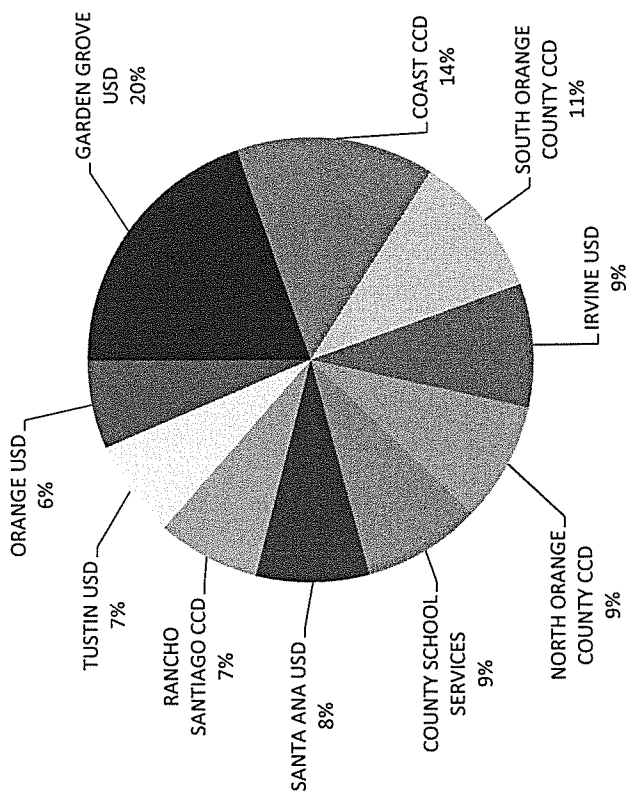
**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF MAY 31, 2017**

FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 652,369,421
400	OC FLOOD	277,477,545
13Y	MENTAL HEALTH SERVICES ACT	274,333,492
404	OC FLOOD - CAPITAL	185,830,387
664	EDUCATIONAL REVENUE AUGMENTATION	183,290,881
299	OC WASTE & RECYCLING ENTERPRISE	182,499,287
280	JOHN WAYNE AIRPORT OPERATING	161,024,826
279	OCWR LANDFILL POST-CLOSE MAINT	132,094,636
115	OC ROAD	85,419,263
293	WORKERS COMPENSATION	81,164,967
TOTAL		\$ 2,215,504,705



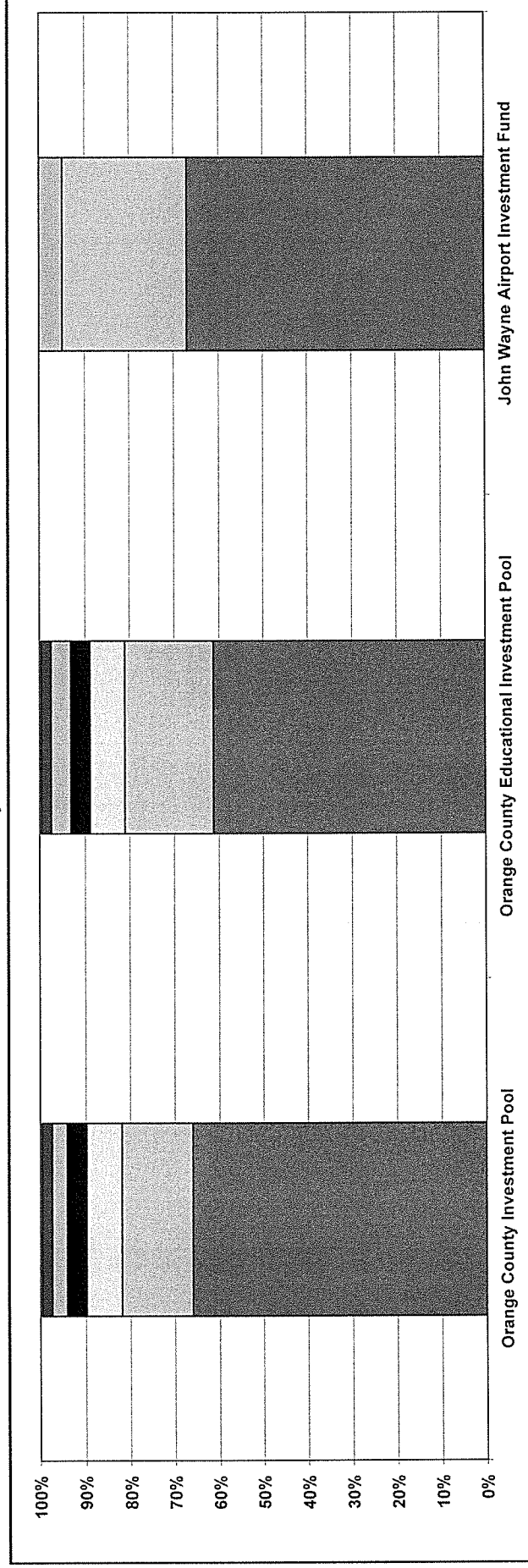
ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
 TOP TEN POOL PARTICIPANTS
 AS OF MAY 31, 2017

DISTRICT #	SCHOOL DISTRICT	BALANCE
72	GARDEN GROVE USD	\$ 592,426,050
90	COAST CCD	431,968,300
96	SOUTH ORANGE COUNTY CCD	316,163,687
75	IRVINE USD	270,212,035
88	NORTH ORANGE COUNTY CCD	260,141,907
94	COUNTY SCHOOL SERVICES	259,889,446
84	SANTA ANA USD	246,858,036
92	RANCHO SANTIAGO CCD	225,036,734
87	TUSTIN USD	213,966,864
80	ORANGE USD	193,700,596
TOTAL		\$ 3,010,363,655



ORANGE COUNTY TREASURER - TAX COLLECTOR BY INVESTMENT TYPE - By Percentage Holdings

May 31, 2017



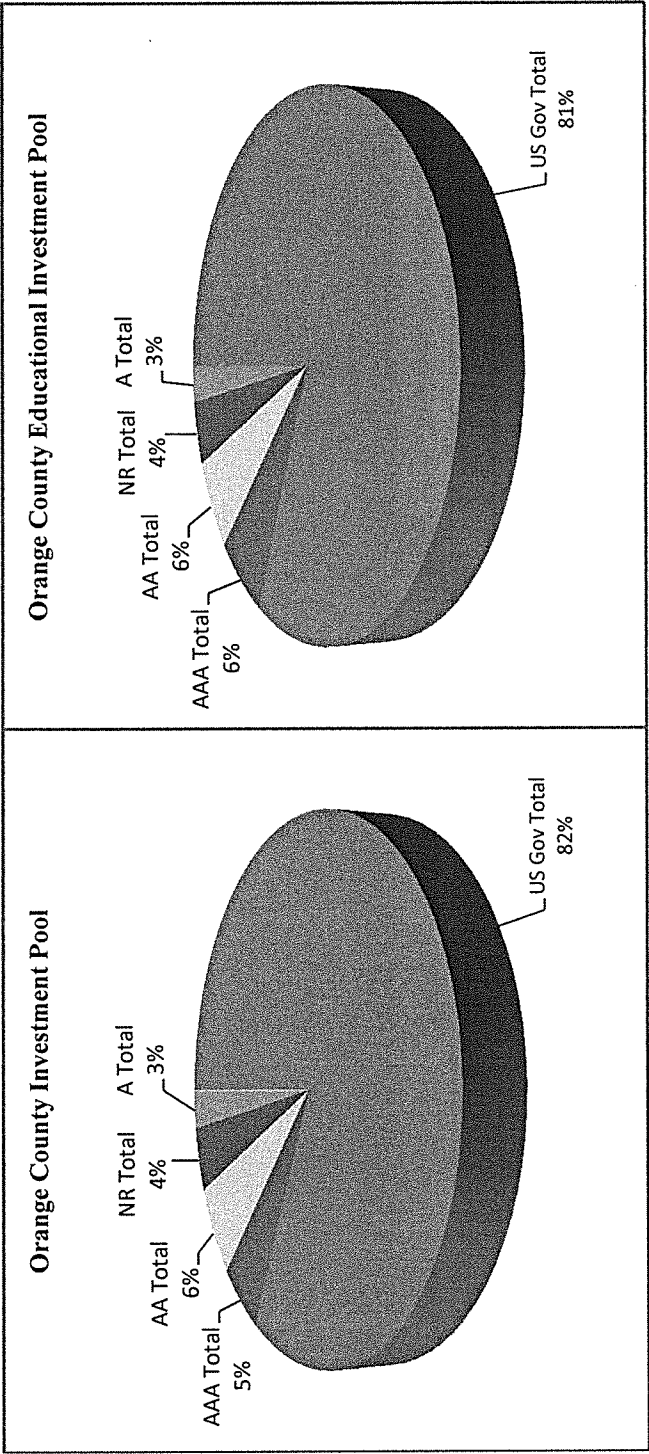
Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,937,585		66.04%
U. S. TREASURIES	706,496		15.88%
MEDIUM - TERM NOTES	347,944		7.82%
MUNICIPAL DEBT	190,451		4.28%
MONEY MARKET MUTUAL FUNDS	149,090		3.35%
CERTIFICATES OF DEPOSIT	99,323		2.24%
LOCAL AGENCY INVESTMENT FUND	17,536		0.39%
	<u>\$ 4,448,425</u>		<u>100.00%</u>

Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,835,679		61.23%
U. S. TREASURIES	918,314		19.83%
MEDIUM-TERM NOTES	358,213		7.73%
MUNICIPAL DEBT	197,823		4.27%
CERTIFICATES OF DEPOSIT	101,504		2.19%
MONEY MARKET MUTUAL FUNDS	201,981		4.36%
LOCAL AGENCY INVESTMENT FUND	18,215		0.39%
	<u>\$ 4,631,729</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 33,808		67.05%
U. S. TREASURIES	13,983		27.73%
MONEY MARKET MUTUAL FUNDS	2,631		5.22%
	<u>\$ 50,422</u>		<u>100.00%</u>

Calculated Using Market Value at 5/31/2017

ORANGE COUNTY TREASURER - TAX COLLECTOR **CREDIT QUALITY BY MARKET VALUE** May 31, 2017

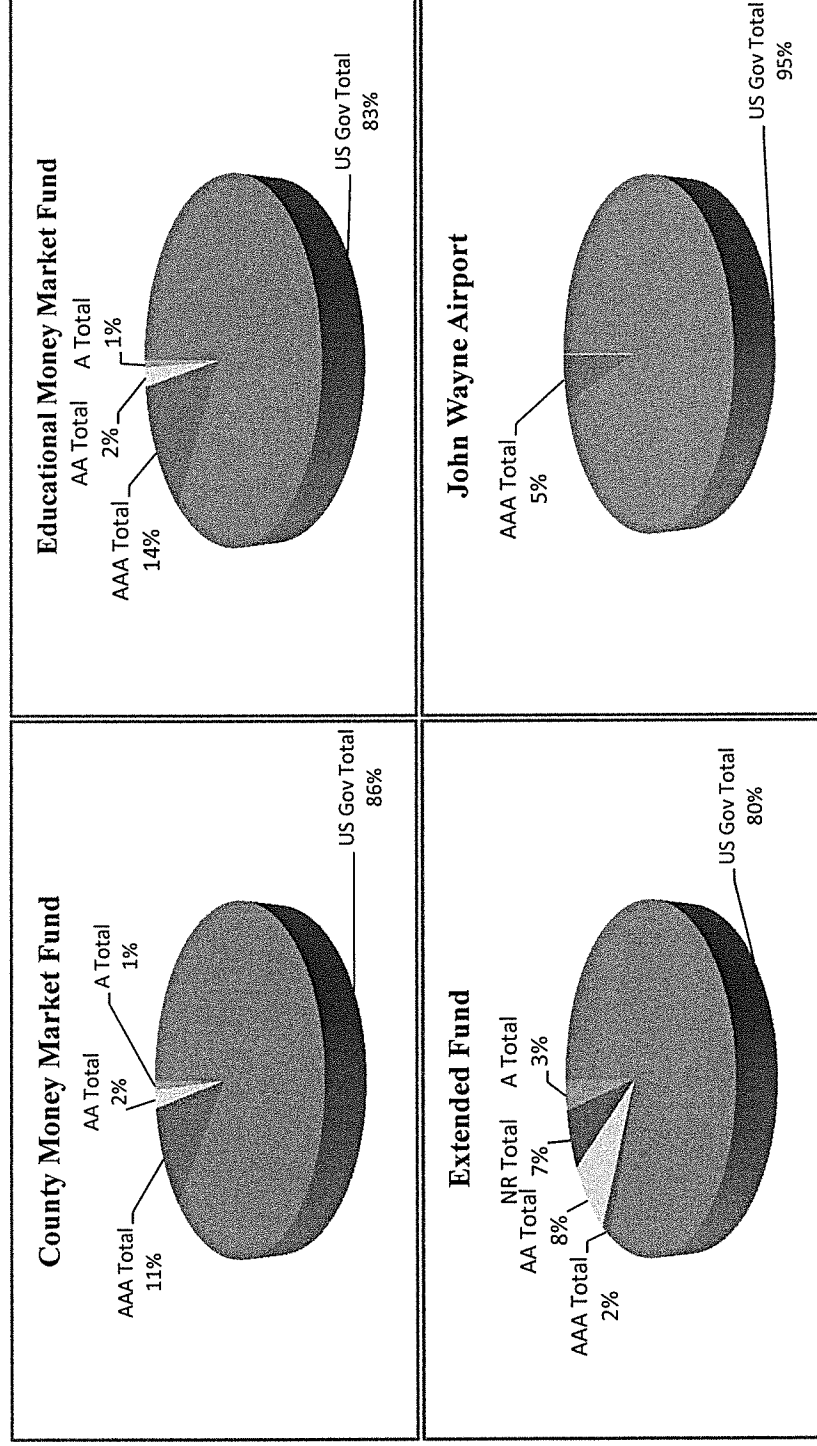


US GOV Includes Agency & Treasury Debt
 AA includes AA+, AA-, & AA
 A includes A+, A-, & A
 NR Includes LAIF and Orange County Pension Obligation Bonds Series 2017A

ORANGE COUNTY TREASURER - TAX COLLECTOR

CREDIT QUALITY BY MARKET VALUE

May 31, 2017



US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

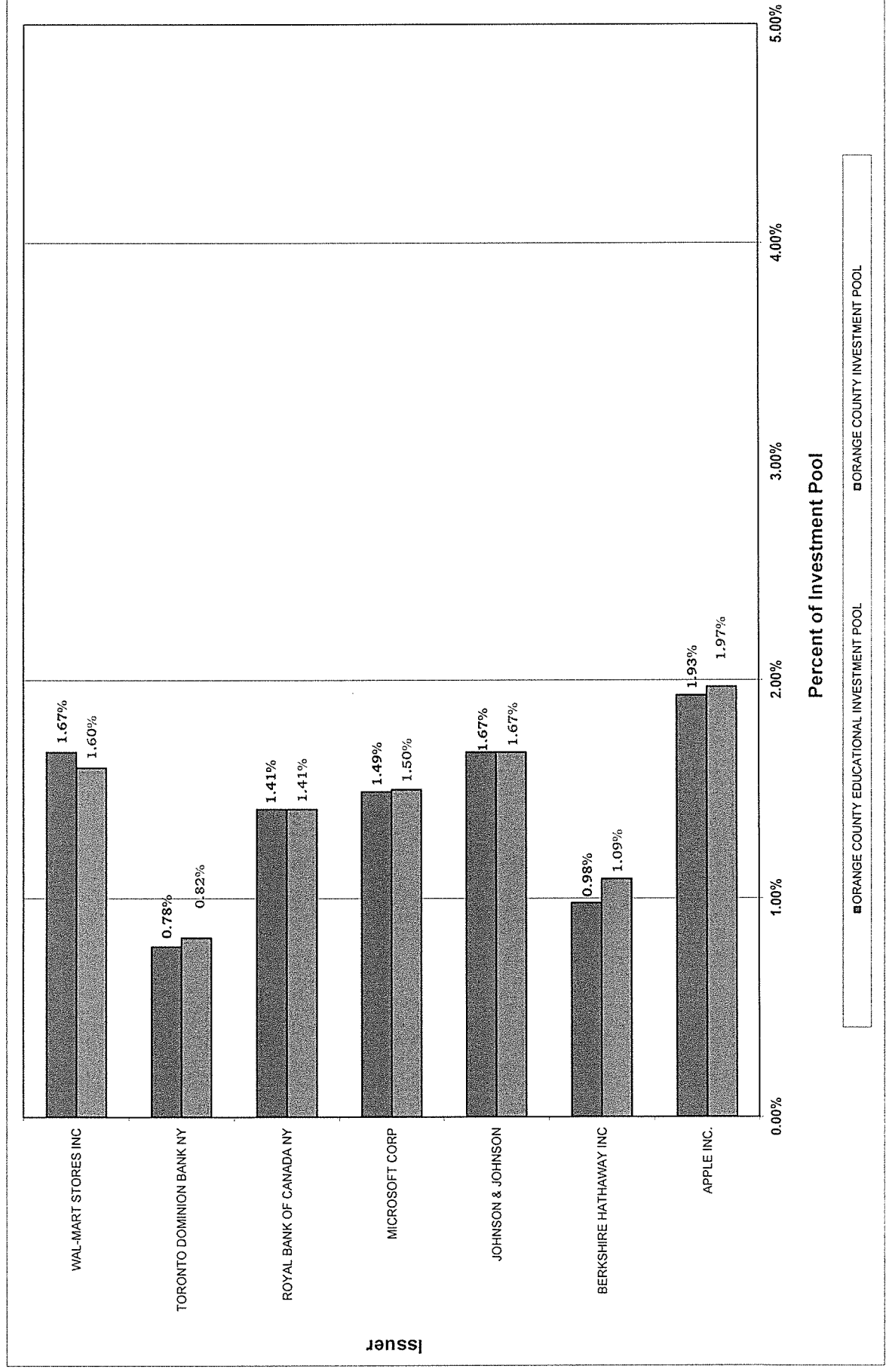
A includes A+, A-, & A

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

ORANGE COUNTY TREASURER - TAX COLLECTOR

ISSUER CONCENTRATION-By Investment Pool

May 31, 2017



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

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

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

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

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

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

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

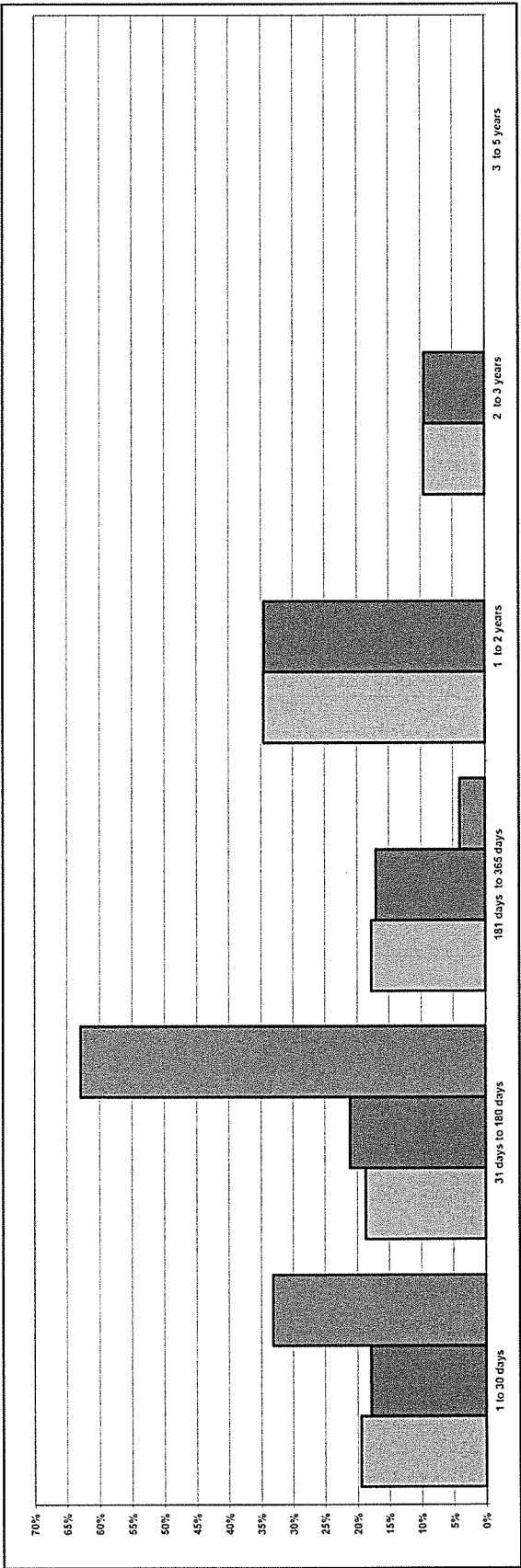
During May, there were two changes to the Treasurer's Approved Issuer List:

- On May 10, Moody's downgraded Royal Bank of Canada from Aa3 to A1 and kept its issuer rating Outlook on Negative. The Credit Investment Committee had proactively put Royal Bank of Canada on hold in July, 2016 and reported this change in the July, 2016 Monthly Treasurer's Investment Report.
- On May 10, Moody's downgraded Toronto Dominion Bank from Aa1 to Aa2 and kept its issuer rating Outlook on Negative. The Credit Investment Committee had proactively put Toronto Dominion Bank on hold in March, 2017 and reported this change in the March, 2017 Monthly Treasurer's Investment Report.

An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

ORANGE COUNTY TREASURER - TAX COLLECTOR MATURITIES DISTRIBUTION

May 31, 2017

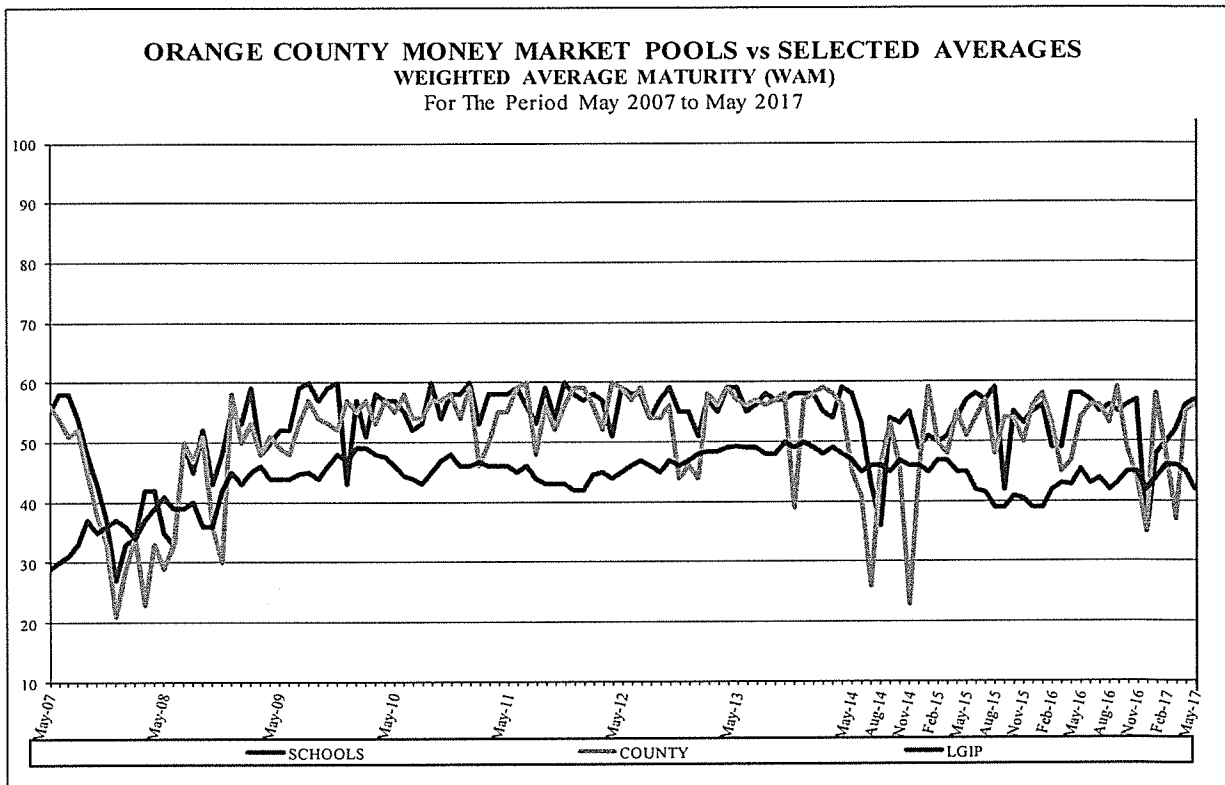
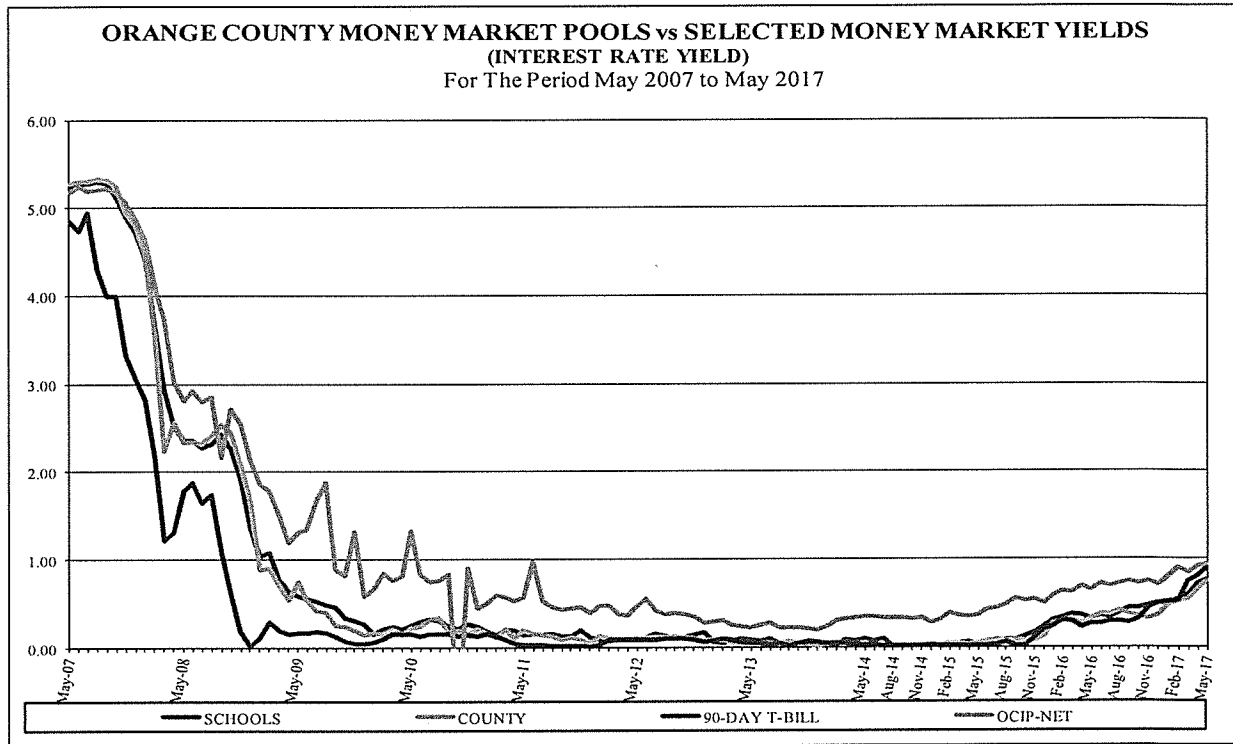


ORANGE COUNTY INVESTMENT POOL			
	In Thousands ^{1,2}	%	
1 TO 30 DAYS	\$ 866,959	19.47%	
31 TO 180 DAYS	832,531	18.71%	
181 TO 365 DAYS	791,528	17.78%	
1 YEAR TO 2 YEARS	1,538,938	34.57%	
2 YEARS TO 3 YEARS	421,731	9.47%	
3 YEARS TO 5 YEARS	-	0.00%	
TOTAL	\$ 4,451,687	100.00%	

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ^{1,2}	%	
1 TO 30 DAYS	\$ 829,952	17.91%	
31 TO 180 DAYS	977,857	21.10%	
181 TO 365 DAYS	790,209	17.05%	
1 YEAR TO 2 YEARS	1,598,496	34.49%	
2 YEARS TO 3 YEARS	438,052	9.45%	
3 YEARS TO 5 YEARS	-	0.00%	
TOTAL	\$ 4,634,586	100.00%	

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ^{1,2}	%	
1 TO 30 DAYS	\$ 16,737	33.16%	
31 TO 180 DAYS	31,740	62.88%	
181 TO 365 DAYS	2,000	3.96%	
1 YEAR TO 2 YEARS	-	0.00%	
TOTAL	\$ 50,477	100.00%	

1 Maturity Limits are calculated using face value. All final maturities are in compliance with the IPS during May.
2 Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 5/31/2017, Floating Rate Notes comprise 0.34%, 0.67%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•As of May 31, 2017, S&P LGIP – 0.82; S&P LGIP WAM -42; 90-Day T-Bill – 0.90; OCIP – Net – 0.79

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

June 1, 2016 - May 31, 2017

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - May 2017</i>				
County Pool - Money Market Fund	\$ 1,559,912,721	\$ 1,190,993	0.81%	56
Educational Pool - Money Market Fund	\$ 1,631,429,543	\$ 1,157,267	0.82%	57
Extended Fund	\$ 5,888,812,000	\$ 5,545,463	1.10%	494
<i>April 2017</i>				
County Pool - Money Market Fund	\$ 1,928,898,078	\$ 1,427,058	0.72%	56
Educational Pool - Money Market Fund	\$ 1,810,058,617	\$ 946,118	0.78%	56
Extended Fund	\$ 5,884,169,552	\$ 5,396,950	1.11%	488
<i>March 2017</i>				
County Pool - Money Market Fund	\$ 1,742,756,895	\$ 707,012	0.60%	37
Educational Pool - Money Market Fund	\$ 1,278,498,097	\$ 590,948	0.66%	52
Extended Fund	\$ 5,874,437,878	\$ 5,301,507	1.06%	511
<i>February 2017</i>				
County Pool - Money Market Fund	\$ 1,420,356,645	\$ 588,259	0.58%	48
Educational Pool - Money Market Fund	\$ 1,036,250,434	\$ 539,611	0.60%	50
Extended Fund	\$ 5,876,196,444	\$ 5,010,710	1.11%	511
<i>January 2017</i>				
County Pool - Money Market Fund	\$ 1,243,000,623	\$ 626,367	0.53%	58
Educational Pool - Money Market Fund	\$ 1,309,895,173	\$ 772,307	0.57%	48
Extended Fund	\$ 5,872,382,548	\$ 4,846,757	0.99%	496
<i>December 2016</i>				
County Pool - Money Market Fund	\$ 1,787,873,393	\$ 656,440	0.43%	35
Educational Pool - Money Market Fund	\$ 1,995,546,428	\$ 627,945	0.56%	35
Extended Fund	\$ 5,491,524,471	\$ 4,550,093	0.96%	510
<i>November 2016</i>				
County Pool - Money Market Fund	\$ 1,263,748,930	\$ 397,303	0.38%	44
Educational Pool - Money Market Fund	\$ 1,123,417,366	\$ 433,001	0.53%	57
Extended Fund	\$ 5,538,702,888	\$ 4,384,832	0.96%	515
<i>October 2016</i>				
County Pool - Money Market Fund	\$ 1,262,431,238	\$ 351,585	0.41%	49
Educational Pool - Money Market Fund	\$ 978,305,500	\$ 469,767	0.51%	56
Extended Fund	\$ 5,497,309,348	\$ 4,298,117	0.92%	504
<i>September 2016</i>				
County Pool - Money Market Fund	\$ 751,801,815	\$ 278,284	0.46%	59
Educational Pool - Money Market Fund	\$ 1,220,526,096	\$ 498,234	0.46%	55
Extended Fund	\$ 5,494,463,600	\$ 4,191,758	0.93%	501
<i>August 2016</i>				
County Pool - Money Market Fund	\$ 800,306,654	\$ 295,786	0.49%	53
Educational Pool - Money Market Fund	\$ 1,221,174,892	\$ 516,653	0.46%	56
Extended Fund	\$ 5,459,349,411	\$ 4,074,594	0.90%	484
<i>July 2016</i>				
County Pool - Money Market Fund	\$ 686,861,455	\$ 325,471	0.45%	56
Educational Pool - Money Market Fund	\$ 1,433,126,604	\$ 519,773	0.41%	55
Extended Fund	\$ 5,327,781,739	\$ 4,052,122	0.89%	501
<i>June 2016</i>				
County Pool - Money Market Fund	\$ 928,467,500	\$ 418,507	0.44%	56
Educational Pool - Money Market Fund	\$ 1,611,309,522	\$ 519,651	0.43%	57
Extended Fund	\$ 5,387,530,673	\$ 4,192,339	0.95%	512
<i>Fiscal Year July 1, 2016 - June 30, 2017</i>	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 4,170,892,768	\$ 32,941,262	0.85%	362
Orange County Educational Investment Pool	\$ 4,164,680,602	\$ 32,627,821	0.86%	356

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING NOVEMBER 30, 2017

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

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

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

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

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

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
May 2017 - Ending Cash				\$ 1,719,878
June	\$ 856,069,088	\$ 278,869,137	\$ 787,128,770	349,529,333
July	484,900,596	260,440,708	585,527,144	509,343,493
August	176,944,342	436,879,658	363,542,939	759,624,554
September	79,502,944	447,979,753	418,851,494	868,255,757
October	14,890,807	921,680,990	305,580,632	1,499,246,922
November	91,512,505	918,740,434	1,116,262,526	1,393,237,335

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
May 2017 - Ending Cash				\$ 7,799,819
June	\$ 823,752,299	\$ 591,652,693	\$ 730,371,284	692,833,527
July	434,572,933	285,836,753	467,457,907	945,785,306
August	297,768,486	263,417,878	509,317,746	997,653,924
September	125,855,210	538,741,729	624,874,456	1,037,376,407
October	36,440,613	349,436,683	653,162,723	770,090,980
November	99,951,320	768,547,291	645,643,117	992,946,474

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

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$9,829,608,721</u>
Cash Receipts:	
County	416,027,139
School and Community College Districts	514,154,021
Total Cash Receipts	<u>930,181,160</u>
Cash Disbursements:	
County	781,597,285
School and Community College Districts	691,510,195
Total Cash Disbursements	<u>1,473,107,480</u>
Net Change in Cost Value of Pooled Assets	<u>(542,926,320)</u>
Net Increase in Non Pooled Investments	3,028,062
Net Decrease in Non Pooled Cash	<u>(1,847,820)</u>
Treasurer's Accountability at the End of the Period:	<u>\$9,287,862,643</u>
Assets in the Treasury at the End of the Period (at Cost Value):	
Pooled Investments:	
O.C. Investment Pool	\$ 4,460,612,778
O.C. Educational Investment Pool	4,644,877,141
Total Orange County Investment Pools	<u>9,105,489,919</u>
Non Pooled Investments:	
Non Pooled Investments - John Wayne Airport	50,434,460
Non Pooled Investments - General Fund – Non AMT Restricted	67,458,736
Non Pooled Investments - Fountain Valley School District Fund 40	34,864,857
Non Pooled Investments - Other	1,081,500
Total Non Pooled Investments	<u>153,839,553</u>
Cash:	
Cash in banks - County	1,689,752
Cash in banks - Schools	7,799,819
Cash in banks - OC Sheriff	13,301,344
Cash in banks - John Wayne Airport	5,712,130
Cash - Other	30,126
Total Cash	<u>28,533,171</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 9,287,862,643</u>

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

Investment Policy (IPS) Guidelines	Investment Type	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
30%	Negotiable Certificates of Deposit	\$ 1,600,928	0.10%	\$ 199,226,963	3.38%	\$ -	0.00%	\$ -	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Government Agencies	1,199,458,128	76.89%	3,543,519,433	60.17%	1,030,286,699	63.15%	33,807,596	67.05%
\$50MM	LAIF	-	0.00%	35,751,080	0.61%	-	0.00%	-	0.00%
30%	Medium-Term Notes	69,826,271	4.48%	566,998,628	9.63%	69,332,160	4.25%	-	0.00%
20%	Money Market Mutual Funds	149,089,622	9.56%	-	0.00%	201,980,658	12.38%	2,630,662	5.22%
30%	Municipal Debt	-	0.00%	388,273,073	6.59%	-	0.00%	-	0.00%
20%	Repurchase Agreement	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100%	U.S. Treasuries	139,937,772	8.97%	1,155,042,823	19.62%	329,830,026	20.22%	13,983,440	27.73%
		\$ 1,559,912,721	100.00%	\$ 5,888,812,000	100.00%	\$ 1,631,429,543	100.00%	\$ 50,421,698	100.00%

Investment Policy Guidelines	Compliance Category (Yes/No)	County Money Market Fund		Extended Fund		Educational Money Market Fund		John Wayne Airport Investment Fund	
		Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
5%	Percentage Limits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20%	Issuer Limit	Yes ⁽²⁾	Yes	N/A	N/A	Yes ⁽²⁾	Yes	Yes	Yes
50% ⁽⁴⁾	Money Market Mutual Fund Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
See Above	Government Agencies Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Diversification Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits	Yes/56.36	Yes	N/A	N/A	Yes/57.24	Yes	N/A	N/A
90 Days	Weighted Average Maturity - Money Market Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/71.00	Yes
>Merrill 1-3 Year Index+25% (2.38)	Weighted Average Maturity - John Wayne Airport Investment Fund (JWA)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13 Months/397 days	Duration ⁽⁵⁾	N/A	N/A	Yes/1.34	Yes	N/A	N/A	N/A	N/A
15 Months/456 days	Final Maturity - Money Market Fund	Yes/355	Yes	N/A	N/A	Yes/359	Yes	N/A	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	N/A	N/A	N/A	Yes/349	Yes
	Final Maturity - Extended Fund	N/A	N/A	Yes/1073	Yes	N/A	N/A	N/A	N/A
A-1/≥ A	Quality Limits	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
≥ A-1/P-1/F2	MMF Short Term/Long Term	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes
A-1/≥ AA ⁽³⁾	Short Term Debt/No Split Ratings	N/A	N/A	Yes ⁽⁶⁾	Yes	N/A	N/A	N/A	N/A
Approved Issuer List	Extended Fund Short Term/Long Term	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Net Asset Value - Money Market Fund and JWA	Yes/0.9999	Yes	N/A	N/A	Yes/0.9999	Yes	Yes/0.9998	Yes

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

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

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

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

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.34) is a modified duration which does not take into consideration all embedded options such as callable bonds or mortgage backed bonds. This presentation is not considered materially different from the effective duration requirement specified in IPS.

(6) Securities issued by Toronto Dominion Bank were rated above 'AA' at the time of purchase and are in compliance with IPS.

NA Not applicable

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

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) AND TREASURY OVERSIGHT COMMITTEE (TOC) COMPLIANCE SUMMARY
May 31, 2017

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

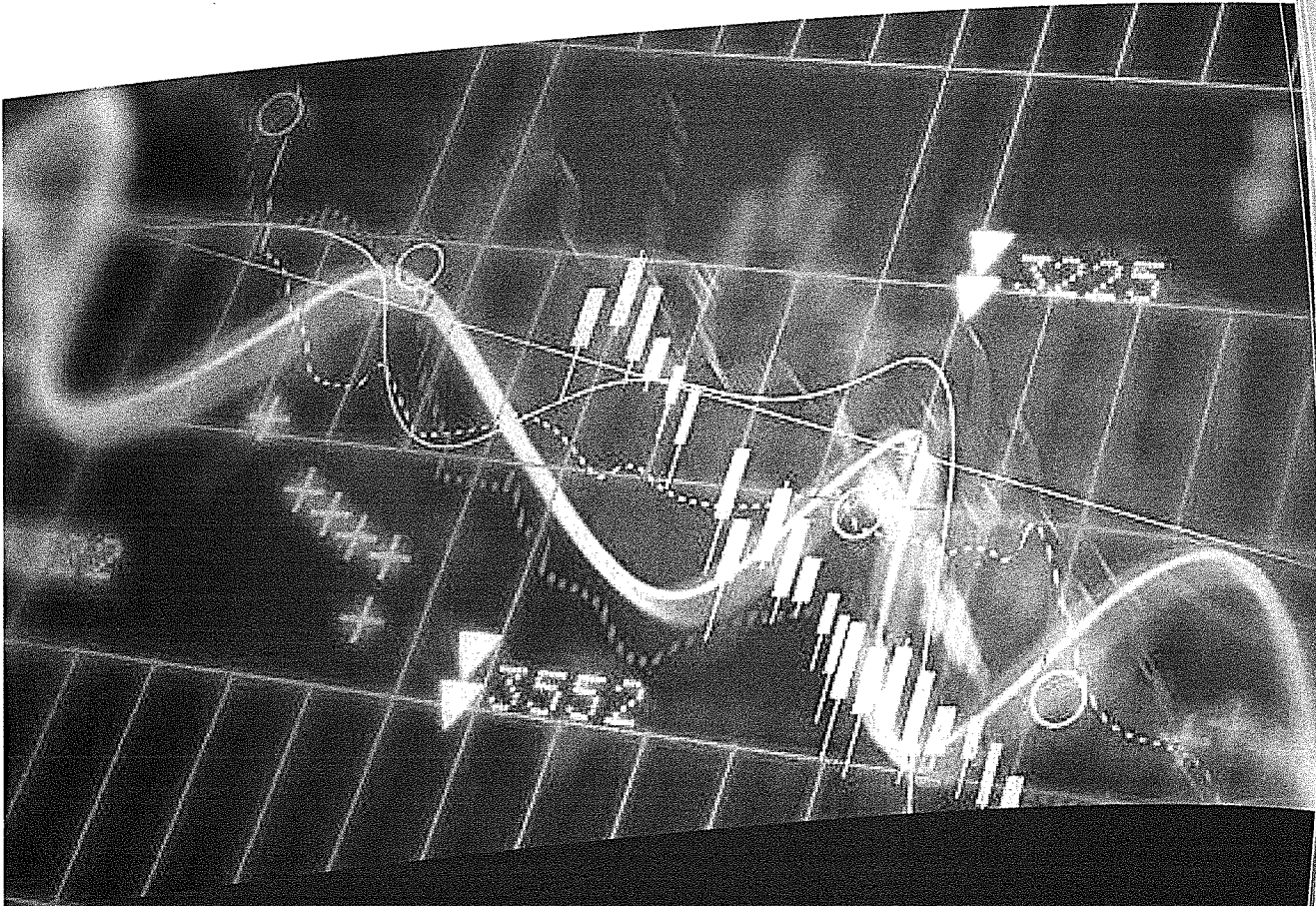
LEGEND	
Auditor-Controller Internal Audit	ACIA
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

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

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

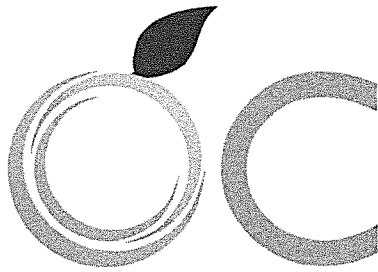


Orange County Auditor-Controller Internal Audit



Compliance Monitoring of the
Treasurer's Investment Portfolio for the
Quarter Ended March 31, 2017

Audit Number 1617
Report Date: May 15, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

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

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

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



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER

Transmittal Letter



Audit No. 1617

May 15, 2017

TO: Members, Treasury Oversight Committee

SUBJECT: Compliance Monitoring of the Treasurer's Investment Portfolio
For the Quarter Ended March 31, 2017

At the request of the Treasury Oversight Committee, we have completed the Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended March 31, 2017.

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

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

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

Attachment

Other recipients of this report:

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



Table of Contents

*Compliance Monitoring of the
Treasurer's Investment Portfolio
For the Quarter Ended March 31, 2017
Audit No. 1617*

Transmittal Letter	i
Internal Auditor's Report	1



Internal Auditor's Report

Audit No. 1617

May 15, 2017

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

We have completed the compliance monitoring of the Treasurer's Investment Portfolio for the quarter ended March 31, 2017. The purpose of our engagement was to determine whether the Orange County Investment Pool (OCIP), Orange County Educational Investment Pool (OCEIP), and various other non-pooled investments managed by the Treasurer, such as John Wayne Airport Investment Fund, were in compliance with the applicable provisions of its Investment Policy Statement (IPS) and that instances of noncompliance, including technical incidents, were properly reported in the Treasurer's Monthly Investment Report. It is important to note that the Treasurer further invests pooled funds from the OCIP and OCEIP into three funds: the Orange County Money Market Fund (OCMMF) and the Orange County Educational Money Market Fund (OCEMMF) (collectively referred to as Money Market Funds), and the Extended Fund.

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

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

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



Internal Auditor's Report

The following lists the procedures performed and results achieved:

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

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.

4. **Maximum Maturity Limitations (IPS Section VIII.2):** We confirmed that the maximum maturity of any portfolio instrument purchased did not exceed 13 months (397 days) for the Money Market Funds, 5 years (1,826 days) for US Treasury, government-sponsored enterprise, and municipal debt securities, and 3 years (1,095 days) for medium-term notes and negotiable certificates of deposits for the Extended Fund, in accordance with the IPS and that the maximum maturity did not exceed 15 months (456 days) for the John Wayne Airport Investment Fund.

Results: We found no exceptions.

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

Results: We found no exceptions.

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

Results: We found no exceptions.



Internal Auditor's Report

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

Results: We found no exceptions.

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

Respectfully submitted,

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

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

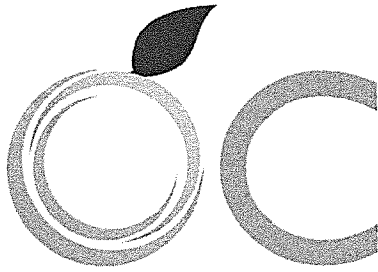


Orange County Auditor-Controller Internal Audit



Report on Audit of the Schedule of Assets Held by the County Treasury as of June 30, 2016

Audit Number 1611
Report Date: May 17, 2017



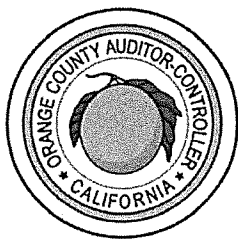
O R A N G E C O U N T Y
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Scott Kim, CPA	Audit Manager I

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

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



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER

Transmittal Letter

May 17, 2017



Audit No. 1611

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

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

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

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

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

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

Attachments

Other recipients of this report:

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



Table of Contents

*Report on Audit of the Schedule of Assets
Held by the County Treasury
Audit No. 1611*

As of June 30, 2016

Transmittal Letter	i
Independent Auditor's Report	1
Financial Schedule	
Schedule of Assets Held by the County Treasury	3
Notes to the Schedule	4
Other Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedule Performed in Accordance with <i>Government Auditing Standards</i>	14



Independent Auditor's Report

Independent Auditor's Report

The Honorable Board of Supervisors
County of Orange, California

Report on the Financial Schedule

We have audited the accompanying modified cash-basis Schedule of Assets Held by the County Treasury (Schedule) of County of Orange, California (County), as of June 30, 2016, and the related notes to the Schedule.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified cash-basis of accounting described in Note 1; this includes determining that the modified cash-basis of accounting is an acceptable basis for preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the requirement of an external peer review assessment performed in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the assets held by the County Treasury of the County as of June 30, 2016, in accordance with the modified cash-basis of accounting as described in Note 1.

Emphasis of Matter

We draw attention to Note 1 to the Schedule, which describes the basis of accounting. The Schedule was prepared by the County on the modified cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As discussed in Note 2 to the Schedule, effective July 1, 2015, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017, on our consideration of the County Treasurer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County Treasurer's internal control over financial reporting and compliance.

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

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division
May 17, 2017



Schedule of Assets Held by the County Treasury

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

	OCIP	OCEIP	Non-Pooled	Total
CASH				
Cash On Hand	\$ 79,955	\$ -	\$ -	\$ 79,955
Bank Demand Accounts	14,033,462	21,163,404	-	35,196,866
Total Cash	14,113,417	21,163,404	-	35,276,821
INVESTMENTS, stated at fair value				
<i>Orange County Investment Pool (OCIP):</i>				
Orange County Money Market Fund	928,467,500	-	-	928,467,500
Extended Fund	2,750,111,875	-	-	2,750,111,875
<i>Orange County Educational Investment Pool (OCEIP):</i>				
Orange County Educational Money Market Fund	-	1,611,309,522	-	1,611,309,522
Extended Fund	-	2,637,418,798	-	2,637,418,798
<i>Non-Pooled</i>	-	-	308,238,131	308,238,131
Total Investments	3,678,579,375	4,248,728,320	308,238,131	8,235,545,826
TOTAL ASSETS	\$3,692,692,792	\$4,269,891,724	\$308,238,131	\$8,270,822,647

See accompanying notes to the Schedule.



Notes to the Schedule

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Assets Held by the County Treasury (Schedule) is intended to separately report deposits and investments in the County Treasury included in the basic financial statements of the County of Orange, State of California (County). For additional disclosure information and contingencies, please refer to the latest publication of the County Comprehensive Annual Financial Report.

The Schedule includes the cash balances of all funds that the Office of the Treasurer-Tax Collector (Treasurer) invests according to California Government Code and the Treasurer's Investment Policy Statement (IPS). These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF the County maintains two external investment pools: the Orange County Investment Pool (OCIP) that includes the voluntary participants' funds; the Orange County Educational Investment Pool (OCEIP), which is utilized exclusively by the County's public school and community college districts; and various other specific investment funds, including John Wayne Airport. The Treasurer is authorized by state law to pool funds for the County and other non-County entities for the purpose of benefiting from economies of scale, reduce duplication and to carry out consolidated banking and investment activities. The Schedule does not include cash and investments for the Orange County Employees Retirement System, CalOptima, certain deferred compensation funds and other debt reserve funds held in trust outside and independent of the County Treasury. The two external pools are not registered with the Securities and Exchange Commission ("SEC") as an investment company. The two external pools do not have any legally binding guarantees of share values.

Unless otherwise required in a trust agreement or other financial document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the County Treasurer. The OCEIP consists entirely of public school and community college districts' funds and therefore includes 100% involuntary participants. At June 30, 2016, the OCIP involuntary non-county participant deposits totaled 11.57%, including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

The Schedule is presented on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Receipts are recognized when received by the Treasurer; disbursements are recognized when paid by the bank; and the value of investments is stated at fair value. The Schedule's modified cash basis primarily differs from the cash basis of accounting by the amount of outstanding checks of \$149.3 million at June 30, 2016.

The Treasurer has stated required investments at fair value in the accompanying Schedule. Management contracts with a third-party vendor and its custodian bank to provide pricing for the fair value of investments in the portfolio. The investments are marked to market and the net asset value (NAV) of the pools are calculated each business day.

The Treasurer values participants' shares in the pools using amortized cost. Specifically, the pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income at stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and less (4) estimated investment and administrative expenses. This method differs from the fair value method used to value investments in this Schedule because the amortized cost method does not distribute to participants all unrealized gains and losses in the fair values of the pools' investments.



Notes to the Schedule

2. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137 and 53600 – 53686, is responsible for conducting County investment activities of the County's investment pooled funds in addition to various individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an Orange County Investment Pool (OCIP) and an Orange County Educational Investment Pool (OCEIP), which are "external investment pools" wherein monies of the County and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) and invested on the participants' behalf. In addition, the Treasurer maintains the John Wayne Airport Investment Fund (JWA) and other specific investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company.

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On June 16, 2016, Standard & Poor's (S&P) reaffirmed an AAA Principal Stability Fund Rating (AAAm) for both the OCMMF and the OCEMMF. The two money market funds are required to maintain a Net Asset Value (NAV) of between \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts) to maintain an AAAm rating. Neither the Money Market Funds nor the Extended Fund have any legally binding guarantees of share values.

The maximum maturity of investments for the two Money Market Funds is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the Extended Fund is five years per CGC. The Investment Policy Statement (IPS) provides that the Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, or their respective designees, and four public members of which a majority shall have expertise in, or an academic background in, public finance.

The investment practices and policies of the Treasurer are based on compliance with state law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested, with secondary emphasis on providing adequate liquidity to Pool Participants. The last goal is to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and is reported as a transfer to the recipient fund.



Notes to the Schedule

A. Deposits

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by Federal Depository Insurance Corporation (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC is available for interest-bearing funds deposited at any one financial institution up to a maximum of \$250,000.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC or collateralized with securities held by the County or its agent in the County's name in accordance with CGC Section 53562.

B. Investments

The CGC Sections 53601 & 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2016, the Treasurer was in full compliance with the more restrictive IPS for the OCIP, OCEIP, and all specific investments.

The following table provides a summary listing of the authorized investments as of June 30, 2016.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 33% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% total, no more than 5% in one issuer except 10%-County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% total, no more than 5% in one issuer	180 Days	180 Days	180 Days



Notes to the Schedule

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
Commercial Paper	40%, 10% of a single issuer	40% total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
State of California Local Agency Investment Fund	\$50 million per account	\$50 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% total	N/A	N/A	N/A
Investment Pools	100%	20% total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer and all related entities, including parent and subsidiaries, that has been placed on credit watch-negative by any of the Nationally Recognized Statistical Rating Organizations (NRSROs), or whose credit rating by any of the NRSROs is less than the minimum rating required by the IPS for that class of security unless the issuer has a short-term rating of A-1+ or F1+ or a long-term rating of at least a AA or Aa2 by S&P, Fitch or Moody's; and the Treasurer has approved the purchase in writing prior to purchase.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked to market on a daily basis. If the NAV of the OCMMF or OCMMF is less than \$0.995 (in absolute dollar amounts) or greater than \$1.005 (in absolute dollar amounts), portfolio holdings may be sold as necessary to maintain the ratio between \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts).

Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2016.



Notes to the Schedule

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Ratings Category (1)	% of Portfolio
OCIP (2)							
U.S. Government Agencies							
FNMA Discount Notes	\$ 45,114,730	\$ 45,152,000	0.29 - 0.65%	08/12/16 - 01/05/17	0.230	A-1	1.24%
FNMA Bonds	447,621,542	445,124,956	0.30 - 1.18%	07/05/16 - 02/26/19	1.354	AA	12.17%
FFCB Discount Notes	63,970,814	64,096,146	0.47 - 0.59%	12/21/16 - 12/27/16	0.485	A-1	1.74%
FFCB Bonds	185,626,059	184,910,846	0.29 - 1.18%	08/11/16 - 04/26/19	1.626	AA	5.05%
FFCB Bonds - Floating Rate	60,020,800	60,000,000	0.29 - 1.18%	11/04/16 - 11/07/16	0.002	AA	1.63%
FHLB Discount Notes	411,243,267	411,312,118	0.24 - 0.50%	07/01/16 - 09/26/16	0.009	A-1	11.18%
FHLB Bonds	402,822,254	401,522,948	0.49 - 1.64%	08/26/16 - 12/20/18	1.240	AA	10.95%
FHLMC Bonds	611,476,562	607,521,803	0.37 - 1.14%	08/25/16 - 04/16/19	1.689	AA	16.62%
Negotiable Certificates of Deposit							
Fixed Rate	157,881,077	156,581,280	0.66 - 1.75%	08/26/16 - 03/29/19	0.439	AA	4.29%
Floating Rate	5,000,100	5,000,000	0.94%	03/28/17	0.077	A-1	0.14%
Medium-Term Corporate Notes							
Corporate Notes	68,617,095	67,109,918	0.55 - 1.35%	08/15/16 - 08/15/18	1.290	A	1.86%
Corporate Notes	116,086,923	113,567,706	0.65 - 1.49%	04/05/17 - 12/15/18	1.148	AA	3.16%
Corporate Notes - Floating Rate	15,007,875	15,000,000	0.65 - 0.66%	05/05/17 - 05/12/17	0.014	AA	0.41%
Corporate Notes	30,879,156	30,197,975	0.59 - 1.41%	11/28/16 - 12/05/18	1.904	AAA	0.84%
Municipal Debt	77,850,765	77,666,499	0.75 - 1.21%	08/01/16 - 06/30/17	0.237	AA	2.12%
U.S. Treasuries	850,804,691	845,879,122	0.24 - 1.12%	07/15/16 - 04/30/19	0.964	AA	23.13%
Money Market Mutual Funds	128,555,665	128,555,665	0.27 - 0.28%	07/01/16	0.003	AAA	3.49%
	\$ 3,678,579,375	\$ 3,659,198,982			1.087 (3)		100.00%

OCBP (2)

U.S. Government Agencies							
FNMA Discount Notes	\$ 42,983,085	\$ 43,000,000	0.23 - 1.088%	08/24/16 - 09/19/16	0.157	A-1	1.01%
FNMA Bonds	454,049,317	451,766,044	0.28 - 1.18%	07/05/16 - 02/26/16	1.291	AA	10.69%
FNMA Bonds - Floating Rate	25,003,250	25,000,000	0.28%	07/05/16	0.004	AA	0.59%
FFCB Discount Notes	123,658,524	123,802,854	0.25 - 0.72%	07/01/16 - 12/27/16	0.309	A-1	2.91%
FFCB Bonds	186,293,026	185,467,154	0.29 - 1.18%	08/11/16 - 04/26/19	1.579	AA	4.38%
FFCB Bonds - Floating Rate	76,017,995	76,000,000	0.28 - 0.58%	07/20/16 - 11/07/16	0.003	AA	1.79%
FHLB Discount Notes	599,705,805	599,888,882	0.27 - 0.74%	07/06/16 - 03/10/17	0.115	A-1	14.11%
FHLB Bonds	453,827,518	452,522,052	0.37 - 1.64%	08/26/16 - 12/20/18	1.545	AA	10.68%
FHLMC Discount Notes	99,973,350	100,000,000	0.23 - 0.30%	07/07/16 - 09/15/16	0.112	A-1	2.35%
FHLMC Bonds	593,063,294	589,254,197	0.37 - 1.14%	08/25/16 - 04/16/19	1.679	AA	13.96%
Commercial Paper							
Negotiable Certificates of Deposit							
Fixed Rate	138,651,614	137,418,720	0.58 - 1.75%	08/29/16 - 03/29/19	0.408	AA	3.26%
Floating Rate	16,701,897	16,700,000	0.58 - 0.98%	07/05/16 - 04/06/17	0.000	AA	0.39%
Medium-Term Corporate Notes							
Corporate Notes	73,667,589	72,151,082	0.55 - 1.35%	08/15/16 - 08/15/18	1.221	A	1.73%
Corporate Notes	110,895,832	108,453,294	0.65 - 1.49%	04/05/17 - 12/15/18	1.149	AA	2.61%
Corporate Notes - Floating Rate	15,152,961	15,145,000	0.65 - 0.67%	11/28/16 - 05/12/17	0.015	AA	0.36%
Corporate Notes	29,485,325	28,832,025	0.93 - 1.41%	08/15/17 - 12/05/18	1.911	AAA	0.69%
Corporate Notes - Floating Rate	500,255	500,000	0.67%	11/28/16	0.003	AAA	0.01%
Municipal Debt	75,476,855	75,298,501	0.75 - 1.21%	08/01/16 - 06/30/17	0.239	AA	1.78%
U.S. Treasuries	878,114,806	873,265,878	0.23 - 1.12%	07/15/16 - 04/30/19	0.913	AA	20.67%
Money Market Mutual Funds	255,506,022	255,506,022	0.27 - 0.28%	07/01/16	0.003	AAA	6.01%
	\$ 4,248,728,320	\$ 4,229,971,705			0.929 (3)		100.00%



Notes to the Schedule

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Ratings Category (1)	% of Portfolio
Specific Investments (2)							
U.S. Government Agencies							
FNMA Discount Notes	\$ 1,498,905	\$ 1,500,000	0.30 - 0.36%	07/25/16 - 10/13/16	0.215	A-1	0.50%
FNMA Bonds	22,384,216	22,118,000	0.35 - 1.62%	07/05/16 - 05/06/21	1.902	AA	7.26%
FFCB Bonds	8,485,764	8,435,000	0.29 - 1.08%	07/12/16 - 06/25/18	0.918	AA	2.75%
FFCB Bonds - Floating Rate	5,060,882	5,060,000	0.29 - 0.58%	08/15/16 - 02/23/17	0.005	AA	1.64%
FHLB Discount Notes	9,116,972	9,121,000	0.28 - 0.53%	07/19/16 - 10/28/16	0.147	A-1	2.96%
FHLB Bonds	18,362,792	18,110,000	0.35 - 1.78%	07/20/16 - 07/29/20	1.726	AA	5.96%
FHLMC Discount Notes	1,671,346	1,672,000	0.33 - 0.54%	07/06/16 - 09/21/16	0.143	A-1	0.54%
FHLMC Bonds	6,562,080	6,547,000	0.35 - 0.94%	07/18/16 - 01/12/18	0.888	AA	2.13%
GNMA Bonds	86,955	83,916	6.25%	9/20/29	13.233	AA	0.02%
Negotiable Certificates of Deposit							
Fixed Rate	1,750,361	1,750,000	0.59 - 0.80%	7/25/16 - 9/29/16	0.094	A-1	0.57%
Floating Rate	1,600,091	1,600,000	0.24 - 0.28%	07/05/16	0.014	A-1	0.52%
Medium-Term Corporate Notes							
Corporate Notes - Floating Rate	401,688	401,000	0.69 - 0.71%	01/10/17 - 04/21/17	0.454	AA	0.13%
Corporate Notes - Floating Rate	100,051	100,000	0.61%	11/28/16	0.162	AAA	0.03%
Municipal Debt	6,500,780	6,500,000	4.81%	07/01/16	0.003	AA	2.11%
U.S. Treasuries	3,564,258	3,500,000	1.50%	01/31/21	4.592	AA	1.16%
Repurchase Agreements	1,081,500	1,081,500	6.20%	8/15/19	3.126	AA	0.35%
Money Market Mutual Funds	220,009,490	220,009,490	0.22 - 0.28%	7/1/16	0.003	AAA	71.38%
	\$ 308,238,131	\$ 307,588,906			0.363 (3)		100.00%

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed.

(2) Legend:

FNMA-Federal National Mortgage Association
FFCB-Federal Farm Credit Bank
FHLB-Federal Home Loan Bank
FHLMC-Federal Home Loan Mortgage Corporation
GNMA-Government National Mortgage Association

(3) Portfolio weighted average maturity

The County categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices based on quoted identical assets in an active market.
- Level 2: Investments reflect prices that are based on identical or similar assets in inactive markets or similar assets in active markets. Inputs other than quotes are observable.
- Level 3: Investments reflect prices based on significant unobservable inputs.

The County has one investment using Level 1 inputs, one investment using Level 3 inputs, and all other investments using Level 2 inputs. Fair value measurement is based on pricing received from the County's third party vendors. Money market mutual funds are priced using amortized cost, with a net asset value of \$1 (in absolute dollar amounts) per share, and per GASB Statement No. 72 not subject to the fair value hierarchy. The County uses the market approach method as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets.



Notes to the Schedule

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2016.

		Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
OCIP				
U.S. Government Agencies	\$ 2,227,896,028	\$ -	\$ 2,227,896,028	\$ -
Negotiable Certificates of Deposit	162,881,177	-	162,881,177	-
Medium-Term Corporate Notes	230,591,049	-	230,591,049	-
Municipal Debt	77,850,765	-	77,850,765	-
U.S. Treasuries	850,804,691	-	850,804,691	-
Total	\$ 3,550,023,710	\$ -	\$ 3,550,023,710	\$ -
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	128,555,665			
Total	\$ 3,678,579,375			
OCEIP				
U.S. Government Agencies	\$ 2,654,575,164	\$ -	\$ 2,654,575,164	\$ -
Negotiable Certificates of Deposit	155,353,511	-	155,353,511	-
Medium-Term Corporate Notes	229,701,962	-	229,701,962	-
Municipal Debt	75,476,855	-	75,476,855	-
U.S. Treasuries	878,114,806	-	878,114,806	-
Total	\$ 3,993,222,298	\$ -	\$ 3,993,222,298	\$ -
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	255,506,022			
Total	\$ 4,248,728,320			
Specific Investments				
U.S. Government Agencies	\$ 73,229,912	\$ -	\$ 73,229,912	\$ -
Negotiable Certificates of Deposit	3,350,452	1,850,254	1,500,198	-
Medium-Term Corporate Notes	501,739	-	501,739	-
Municipal Debt	6,500,780	-	6,500,780	-
U.S. Treasuries	3,564,258	-	3,564,258	-
Repurchase Agreement	1,081,500	-	-	1,081,500
Sub-total	\$ 88,228,641	\$ 1,850,254	\$ 85,296,887	\$ 1,081,500
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	220,009,490			
Total	\$ 308,238,131			



Notes to the Schedule

Investment in County of Orange Taxable Pension Obligation Bonds 2016, Series A

On January 13, 2016, the OCIP and the OCEIP purchased a portion of the County issued Taxable Pension Obligation Bonds 2016, Series A (2016 POBs) in the principal amount of \$153 million. The 2016 POBs were issued with a fixed coupon rate and with maturities from August 2016 to June 2017. The obligation of the County to pay principal and interest on the 2016 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2016, the outstanding principal amount of the 2016 POBs is \$153 million. The bonds are rated AA by S&P. The County's investment in the 2016 POBs is disclosed herein as Municipal Debt.

Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Weighted average days (WAM) to maturity by investment type for the funds invested in the Pools are presented in the table in the Investment Disclosures section.

The OCIP of approximately \$3.7 billion and OCEIP of \$4.2 billion at June 30, 2016, have over 36.6% and 46.6%, respectively, of the investments maturing in six months or less, 63.4% and 53.4%, respectively, maturing between six months and three years.

As of June 30, 2016, variable-rate notes comprised 2.2% and 2.5% of the OCIP and the OCEIP, respectively. The notes are tied to the Federal Funds rate, 90-day Treasury Bill rate, one-month and three-month London Interbank Offered Rate (LIBOR) with daily, monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to a market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing WAM, the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was approximately \$3.8 billion for each, with an annual net yield of 0.65% and 0.66% respectively for the pools, for the year ended June 30, 2016.

Interest Rate Risk-Weighted Average Maturity (Money Market Funds)

At June 30, 2016, the OCMMF and OCEMMF amounted to \$0.9 billion and \$1.6 billion, respectively. In accordance with the Board formally approved IPS, the Treasurer manages the Pool's exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2016, the WAM of the OCMMF was 56 days and the OCEMMF was 57 days. At the same date, the NAV of the Money Market Funds for both pools was \$1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Extended Fund)

At June 30, 2016, the Extended Fund (which includes funds from both the OCIP and the OCEIP) balance was approximately \$5.4 billion. Of this amount, the OCIP owned 51.1% and the OCEIP owned 48.9%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.35). The portfolio duration for the Extended Fund as of June 30, 2016 was 1.31 years. This was computed using the effective duration method, which takes into account the way in which changes in yield will affect the expected cash flows for callable bonds.



Notes to the Schedule

As of June 30, 2016, the Extended Fund had the following duration by investment type:

Investment Type	Fair Value	Effective Duration (In Years)	Portfolio %
Negotiable Certificates Of Deposit	201,492,936	2.25	3.74%
Medium-Term Corporate Notes	362,353,729	1.85	6.73%
U.S. Government Agencies	\$ 3,155,742,879	1.34	58.57%
U.S. Treasuries	1,568,807,252	1.02	29.12%
Municipal Debt	99,133,878	0.78	1.84%
Total Fair Value	\$ 5,387,530,674		
Portfolio Duration		1.31	

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party delivery versus payment (DVP) which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by third party custodians in their trust department to mitigate custodial credit risk. At year-end, in accordance with the IPS, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and the Treasurer did not have any securities lending during the year (or at year-end).

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following NRSROs: S&P, Moody's, or Fitch. For an issuer of short-term debt, the rating must be no less than A-1 or SP-1 (S&P), P-1 or MIG 1/VMIG 1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an A in the Money Market Funds and AA in the Extended Fund. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2016, the County's investments were in compliance with the IPS limits.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2016, all investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings in U.S. government agencies.

Foreign Currency Risk

The IPS requires all securities to be U.S. dollar denominated. The County Pools are not exposed to foreign currency risk.



Notes to the Schedule

3. SUBSEQUENT EVENTS

Annual IPS Change

The Board of Supervisors approved the 2017 IPS on November 22, 2016, which included changes to allowed investments and revisions to conform to CGC. The following changes to the IPS were approved by the Board: the issuer limit for government agency securities was increased from 33% to 50% of any individual pool's total assets; the maximum remaining maturity for Negotiable Certificates of Deposit was reduced from five years to three years; and the maximum remaining maturity for Medium Term Notes was reduced from five years to three years for longer term pools.

Investment in County of Orange Taxable Pension Obligation Bonds 2017, Series A

On January 13, 2017, the OCIP and the OCEIP purchased all of the County issued Taxable Pension Obligation Bonds 2017, Series A (2017 POBs) in the principal amount of \$375.5 million in a private placement. The 2017 POBs were issued as standard bonds, with five fixed rate coupon tranches with maturities from August 2017 to June 2018. The obligation of the County to pay principal and interest on the 2017 POBs is an obligation imposed by law and is absolute and unconditional. The 2017 POBs are not rated.



Other Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedule Performed in Accordance with Government Auditing Standards

The Honorable Board of Supervisors
County of Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except for the requirement of an external peer review assessment performed in accordance with *Government Auditing Standards*, the Schedule of Assets Held by the County Treasury (Schedule) of County of Orange, California (County), as of June 30, 2016, and the related notes to the Schedule, and have issued our report thereon dated May 17, 2017. As discussed in Note 2, effective July 1, 2015, the County adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the County Treasurer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County Treasurer's internal control. Accordingly, we do not express an opinion on the effectiveness of the County Treasurer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did note certain internal control matters that were not considered material weaknesses or significant deficiencies that we will report to Treasury management in a separate Management Letter.



Other Report

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Treasurer's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or others matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division
May 17, 2017

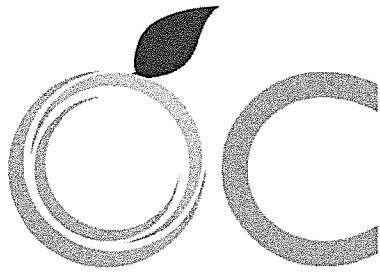


Orange County Auditor-Controller Internal Audit



Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2016

Audit Number 1613
Report Date: May 18, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

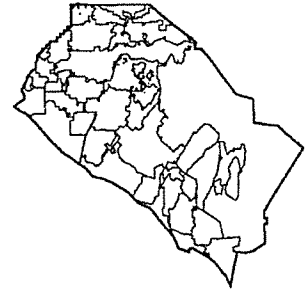
Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Carol Swe, CPA, CIA, CISA	Senior Audit Manager
Michael Steinhaus, CPA, CGMA	Audit Manager I
Raquel Zubi, CPA	Auditor II

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www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Audit No. 1613

Transmittal Letter

May 18, 2017

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

SUBJECT: Report on Review of the Schedule of Assets Held by the County Treasury
as of December 31, 2016

We have completed our Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2016. Our final report is attached for your review.

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

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

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

Attachments

Other recipients of this report:

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



Table of Contents

*Report on Review of the Schedule of Assets
Held by the County Treasury
Audit No. 1613*

As of December 31, 2016

Transmittal Letter	i
Independent Accountant's Review Report	1
Schedule of Assets Held by the County Treasury as of December 31, 2016	3



Independent Accountant's Review Report

Independent Accountant's Review Report

The Honorable Board of Supervisors
County of Orange, California

We have reviewed the accompanying Schedule of Assets Held by the County Treasury—Modified Cash-Basis (financial schedule) of the County of Orange, California, as of December 31, 2016, pursuant to Government Code Section 26920(a). A review includes primarily applying analytical procedures to management's financial data and making inquiries of department management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial schedule as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Schedule

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

Accountant's Responsibility

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

Accountant's Conclusion

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

Known Departure from Modified Cash-Basis of Accounting

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



Independent Accountant's Review Report

Other Matter

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

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

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division
May 18, 2017



Schedule of Assets Held by the County Treasury

ORANGE COUNTY TREASURY
Schedule of Assets Held by the County Treasury
As of December 31, 2016

ASSETS

	OCIP	OCEIP	Non-Pooled	Total
CASH				
Cash On Hand	\$ 30,997	\$ -	\$ -	\$ 30,997
Bank Demand Accounts	6,245,838	40,000	22,728,797	29,014,635
Total Cash	6,276,835	40,000	22,728,797	29,045,632
INVESTMENTS, stated at fair value				
<i>Orange County Investment Pool (OCIP):</i>				
Money Market Fund	1,787,873,393	-	-	1,787,873,393
Extended Fund	2,867,121,773	-	-	2,867,121,773
<i>Orange County Educational Investment Pool (OCEIP):</i>				
Money Market Fund	-	1,995,546,428	-	1,995,546,428
Extended Fund	-	2,624,402,698	-	2,624,402,698
<i>Non-Pooled</i>			153,500,433	153,500,433
Total Investments	4,654,995,166	4,619,949,126	153,500,433	9,428,444,725
TOTAL ASSETS	\$ 4,661,272,001	\$ 4,619,989,126	\$ 176,229,230	\$ 9,457,490,357



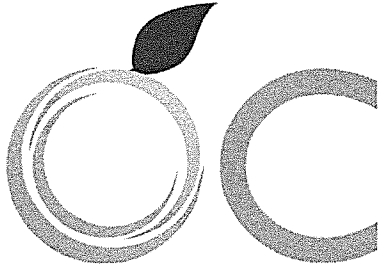
Orange County Auditor-Controller Internal Audit



Management Letter on Review of the Schedule of Assets Held by the County Treasury

As of September 30, 2016

Audit Number 1612
Report Date: May 31, 2017



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

Eric H. Woolery, CPA
Orange County Auditor-Controller

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

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

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



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Audit No. 1612

Transmittal Letter

May 31, 2017

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

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

We have completed our Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016, and have issued our report thereon dated February 24, 2017. We identified one control issue during our review, which we have documented in the attached Management Letter on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016. Our final report is attached for your review.

The management letter contains one recommendation. Your response has been included in the management letter and the complete text of the response is included in Attachment B.

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

A handwritten signature in black ink, appearing to read "Toni Smart".

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

Attachments

Other recipients of this report:

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



Table of Contents

*Management Letter on Review of the
Schedule of Assets Held by the County Treasury
Audit No. 1612*

As of September 30, 2016

Transmittal Letter	i
Management Letter	1
Detailed Finding, Recommendation, and Management Response	
Finding #1: Non-Pooled Bank Demand Accounts <i>Control Deficiency</i>	2
Attachment A: Report Item Classifications	3
Attachment B: Treasury Management Response	4



Management Letter

Audit No. 1612

May 31, 2017

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

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

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

We have reviewed, in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA, the Schedule of Assets Held by the County Treasury—Modified Cash-Basis (financial schedule) of the Office of the Orange County Treasurer-Tax Collector (Treasury), as of September 30, 2016, pursuant to Government Code Section 26920(a) and have issued our report thereon dated February 24, 2017.

In performing our review, we identified one issue that we determined to be a reportable condition. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal controls or qualitative aspects of the entity's accounting practices. This includes accounting policies that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. This letter does not affect our report dated February 24, 2017, on the financial schedule of the Treasury.

For the purposes of reporting our observations and recommendations, we classify report items into three distinct categories: control deficiencies, significant deficiencies, and material weaknesses. See Attachment A for a description of report item classifications.

This letter was discussed with representatives of the Treasury management and their response has been incorporated into this letter. The Treasury's response was not subjected to the review procedures applied in the review of the financial schedule and, accordingly, we express no conclusion on the response. We will follow-up on the status of this comment in accordance with our follow-up procedure.

This communication is intended solely for the information and use of the management of the Treasury, the management of the Orange County Auditor-Controller, and the Board of Supervisors and is not intended to be, and should not be, used by anyone other than these specified parties. However, this letter is a matter of public record and its distribution is not limited.

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



Detailed Finding, Recommendation, and Management Response

Finding #1: Non-Pooled Bank Demand Accounts *Control Deficiency*

Criteria

California Government Code 26905 requires the auditor to reconcile, on a monthly basis, the cash and investment accounts, as stated on the auditor's books, with the cash and investment accounts, as stated on the treasurer's books. Established internal controls require that the financial records of the Treasury accurately reflect the cash and investment accounts.

Condition

During our review of the Treasurer Tax-Collector (T-TC) demand account bank reconciliation as of September 30, 2016, we noted several bank account balances totaling \$8,162,480 (Sheriff) and \$587,665 (JWA) that were reported on the Schedule of Assets and the Statement of Accountability at September 30, 2016. However, these account balances were not recorded in T-TC's financial record of the cash and investment accounts in the Treasury (Quantum).

Cause

In July 2016, T-TC transferred certain monies from the pooled investment funds to separate and individual bank accounts as a result of a Federal audit recommendation received by the Sheriff's Department that required those monies to be kept separate from other County monies. This event triggered a review by T-TC of other similar accounts held independently by JWA in a separate bank account. According to T-TC management, due to a system limitation in Quantum, these balances are not currently recorded in the Treasury cash and investment records.

We were informed that T-TC is planning an upgrade to its Quantum system and will be working with the software vendor to record these accounts in Quantum. T-TC is currently working with the Auditor-Controller and County Counsel to identify all cash and investment accounts that should be included in the county treasury.

Effect

T-TC's financial records (Quantum) for its non-pooled demand accounts were understated by \$8,750,145. As a result, these account balances were not included in the Treasurer's monthly bank reconciliation or the monthly auditor reconciliation of cash and investments in the Treasury. However, the Treasurer's Schedule of Assets was accurately stated at September 30, 2016 and these bank balances are recorded on the Auditor-Controller CAPS+ general ledger records.

Recommendation

We recommend that Treasurer-Tax Collector management ensure its financial records accurately reflect the cash and investment accounts of the Treasury.

Treasurer-Tax Collector Management's Response

The Treasurer-Tax Collector concurs with the recommendation. The Board of Supervisors on April 25, 2017 approved an amendment to the current agreement to upgrade the Quantum software. The Treasurer-Tax Collector will complete this upgrade in 2017 and plans to add and track these two bank accounts in Quantum as part of the upgrade.



Detailed Finding, Recommendation, and Management Response

ATTACHMENT A: Report Item Classifications

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

Control Deficiency:

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Significant Deficiency:

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Material Weakness:

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Detailed Finding, Recommendation, and Management Response

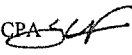
ATTACHMENT B: Treasurer-Tax Collector Management Response



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



INTERDEPARTMENTAL COMMUNICATION

Date: May 30, 2017
To: Toni Smart, CPA, Auditor-Controller Internal Audit Director
From: Shari L. Freidenrich, CPA 
Subject: Response to Draft Management Letter on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2016

We have provided our response to the single finding in the report as requested by May 30, 2017.

Finding #1 – Non-Pooled Bank Demand Accounts

One control deficiency issue was identified relating to the Treasurer-Tax Collector's (T-TC) demand bank account reconciliation. Several bank account balances totaling \$8,162,480 (Sheriff) and \$587,665 (JWA) were reported on the Schedule of Assets and the Statement of Accountability at September 30, 2016, but were not recorded in the T-TC's financial record of cash and investment accounts in the Treasury (Quantum).

Recommendation No. 1

We recommend that the Treasurer-Tax Collector management ensure its financial records accurately reflect the cash and investment accounts of the Treasury.

Treasurer-Tax Collector Management's Response

The Treasurer-Tax Collector concurs with the recommendation. The Board of Supervisors on April 25, 2017 approved an amendment to the current agreement to upgrade the Quantum software. The Treasurer-Tax Collector will complete this upgrade in 2017 and plans to add and track these two bank accounts in Quantum as part of the upgrade.

Please contact myself or Mark Malbon if you have any questions.

Cc: Mark Malbon, Assistant Treasurer-Tax Collector
Eric Woolery, Auditor-Controller

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

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

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

Treasury Oversight Committee

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

County of Orange Departments

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

County Agencies

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

State of California

CDIAC
Superior Court

Orange County School Districts

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

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

Orange County Community College Districts (CCD)

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

Orange County Regional Occupational Programs (ROP)

Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

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



June 28, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - May 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 May 31, 2017. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. One security fell below the minimum credit quality during the month. The security was sold the next day.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 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 book yield for the OCTA portfolio is 1.34 percent.

On May 23, 2017, Moody's downgraded its ratings of Schlumberger Holdings. The portfolio managed by JP Morgan contained a corporate medium-term note (MTN) with a par value of \$630,000, maturing December 21, 2020. OCTA's investment policy requires that corporate MTNs maintain an "A" rating by two of the three Nationally Recognized Statistical Rating Organizations. In the event a

security falls below that level, the decision to retain the security until maturity or liquidate the security shall be approved by the Treasurer. Further, the action shall be noted in the monthly OCTA Investment and Debt Programs report.

OCTA's debt portfolio had an outstanding principal balance of \$427 million as of May 31, 2017. Approximately 75 percent of the outstanding balance is comprised of Measure M2 debt and 25 percent is associated with the 91 Express Lanes Program.

Summary

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

Attachment

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

Prepared by:



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

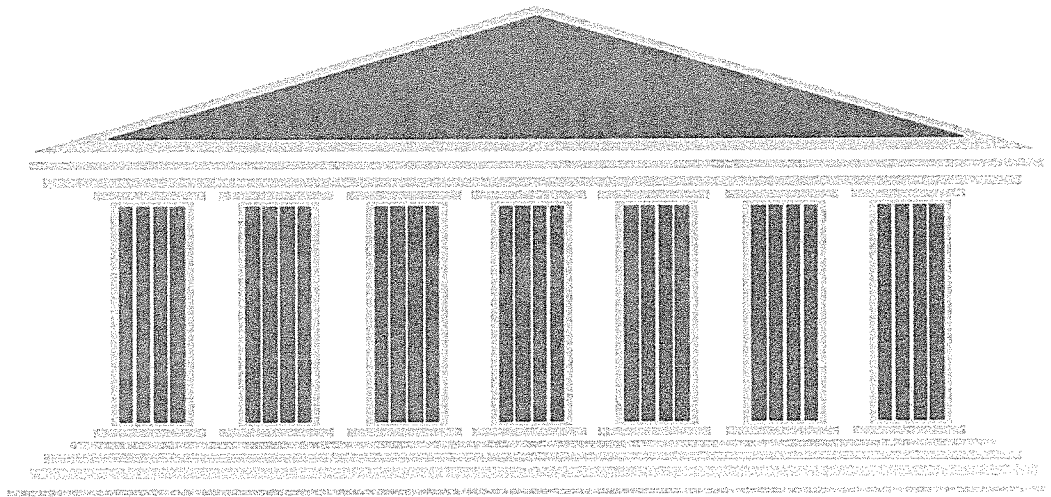
Approved by:



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

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

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



**Presented to the
Finance and Administration Committee**

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

INVESTMENT PROGRAM

Investment Profile

As of 5/31/17

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
JP Morgan	Union Bank	Custodian	Short-Term Operating	325.6
State Street Global Advisors	Union Bank	Custodian	Short-Term Operating	325.2
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	325.7
Western Asset Management	Union Bank	Custodian	Short-Term Operating	324.9
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.3
Orange County Treasurer	OCIP	Custodian	Legal Requirement	0.0
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	84.3
OCTA	Bank of the West	Broker	Liquid	44.4
OCTA	U.S Bank	Trustee	Liquid	0.0
<i>DEBT SERVICE RESERVE FUNDS</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	10.9
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.1
TOTAL				\$1,464.3

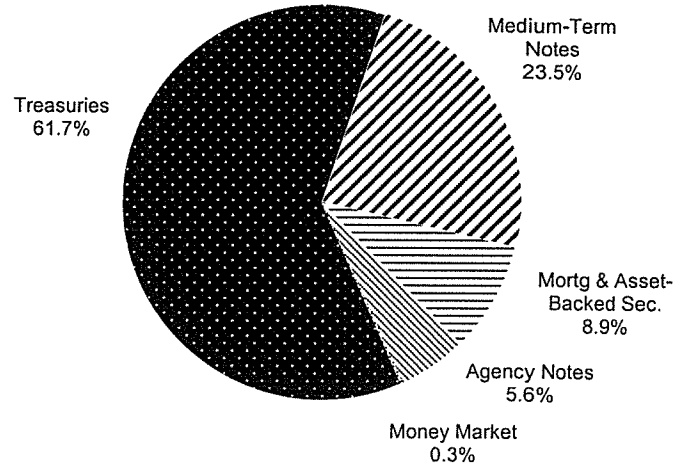
Short-Term Portfolio - \$1.3 Billion

As of 5/31/17

Part 1 of 2

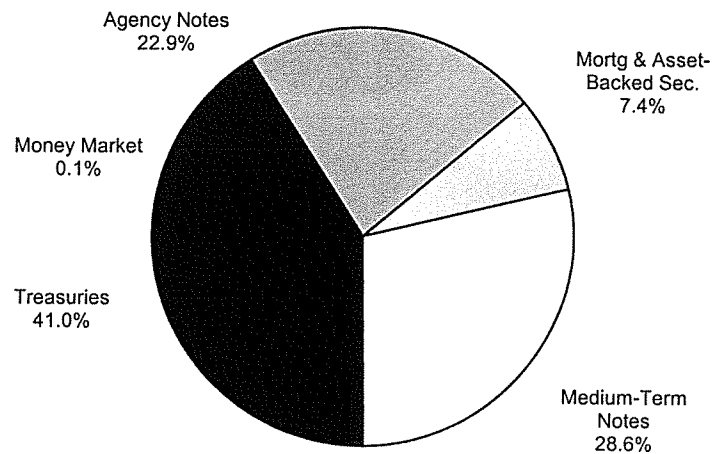
JP Morgan

Book Value	\$	325,566,588
Market Value	\$	323,464,080



State Street Global

Book Value	\$	325,239,179
Market Value	\$	324,741,290



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$1.3 Billion

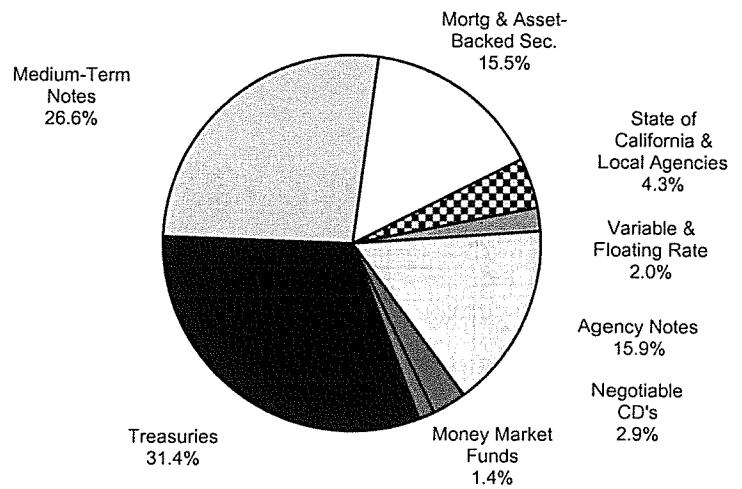
As of 5/31/17

Part 2 of 2

Payden & Rygel

Book Value \$ 325,703,689

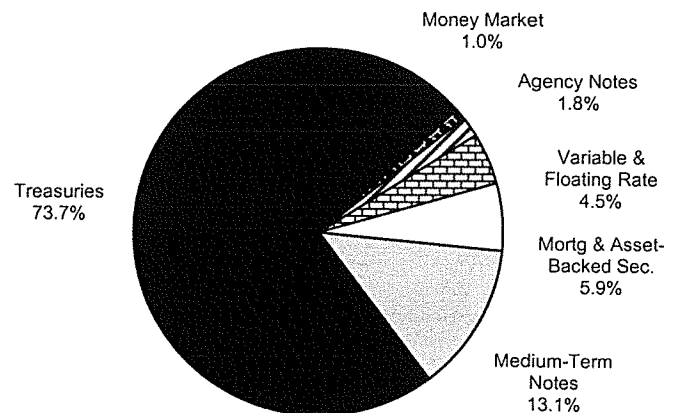
Market Value \$ 325,034,545



Western Asset Management

Book Value \$ 324,903,320

Market Value \$ 325,226,794

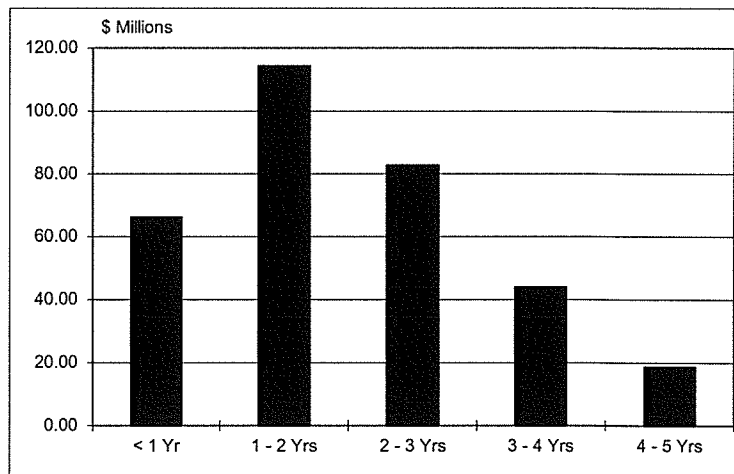


Short-Term Portfolio Maturity Schedule

As of 5/31/17

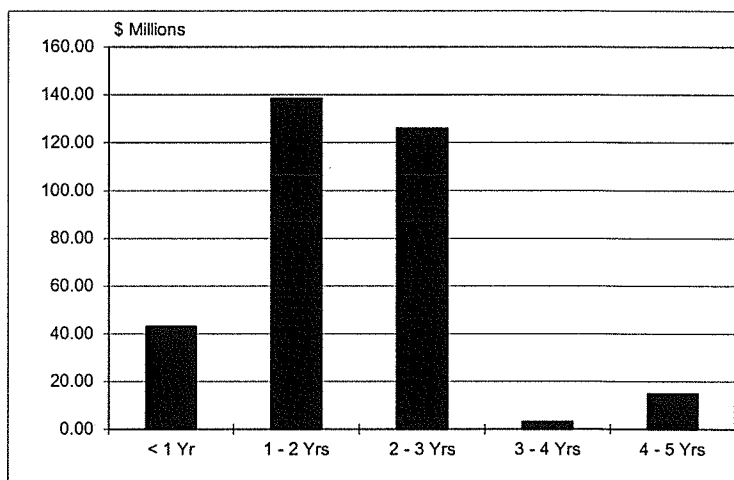
JP Morgan (\$325.6 M)

Monthly Return	0.17%
TSY Benchmark	0.12%
Gov/Corp Benchmark	0.15%
Fiscal YTD Return	0.22%
TSY Benchmark	-0.03%
Gov/Corp Benchmark	0.19%
12 Month Return	0.79%
TSY Benchmark	0.57%
Gov/Corp Benchmark	0.78%



State Street Global (\$325.2 M)

Monthly Return	0.17%
Benchmark Comparison	0.12%
Gov/Corp Benchmark	0.15%
Fiscal YTD Return	0.23%
TSY Benchmark	-0.03%
Gov/Corp Benchmark	0.19%
12 Month Return	0.80%
TSY Benchmark	0.57%
Gov/Corp Benchmark	0.78%



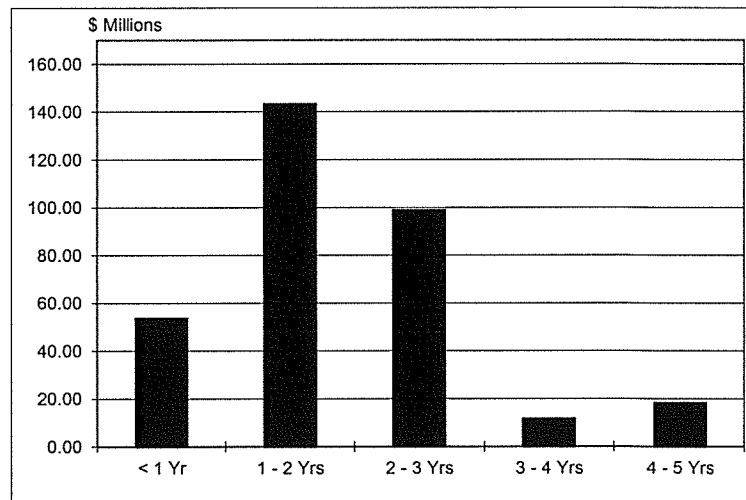
Yield Curve Change From 4/30/17 to 5/31/17			
	<u>4/30/17</u>	<u>5/31/17</u>	<u>Change</u>
1 Year	1.063%	1.153%	0.0900%
2 Year	1.264%	1.284%	0.0200%
3 Year	1.444%	1.434%	-0.0100%
5 Year	1.815%	1.752%	-0.0630%
30 Year	2.952%	2.864%	-0.0880%

Short-Term Portfolio Maturity Schedule

As of 5/31/17

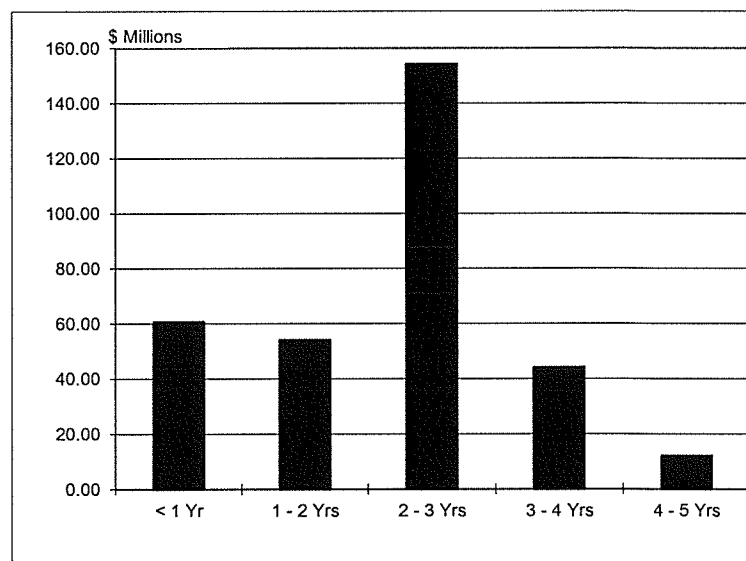
Payden & Rygel (\$325.7 M)

Monthly Return	0.17%
TSY Benchmark	0.12%
Gov/Corp Benchmark	0.15%
Fiscal YTD Return	0.50%
TSY Benchmark	-0.03%
Gov/Corp Benchmark	0.19%
12 Month Return	0.93%
TSY Benchmark	0.57%
Gov/Corp Benchmark	0.78%



Western Asset Management (\$324.9 M)

Monthly Return	0.19%
TSY Benchmark	0.12%
Gov/Corp Benchmark	0.15%
Fiscal YTD Return	0.24%
TSY Benchmark	-0.03%
Gov/Corp Benchmark	0.19%
12 Month Return	0.90%
TSY Benchmark	0.57%
Gov/Corp Benchmark	0.78%

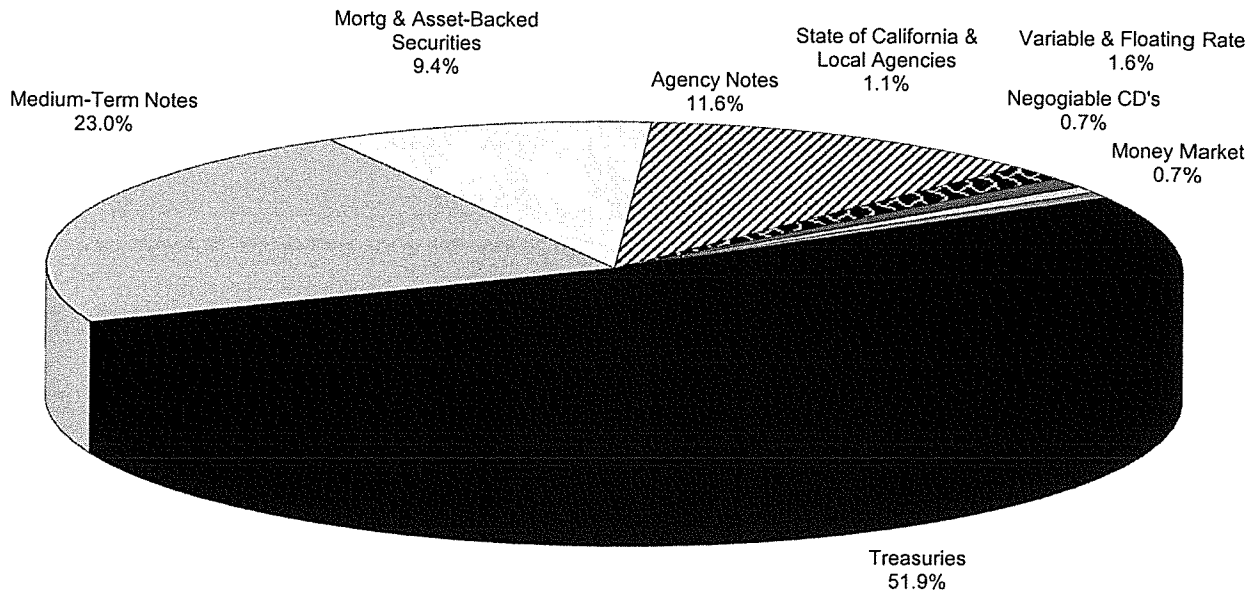


Yield Curve Change From 4/30/17 to 5/31/17			
	4/30/17	5/31/17	Change
1 Year	1.063%	1.153%	0.0900%
2 Year	1.264%	1.284%	0.0200%
3 Year	1.444%	1.434%	-0.0100%
5 Year	1.815%	1.752%	-0.0630%
30 Year	2.952%	2.864%	-0.0880%

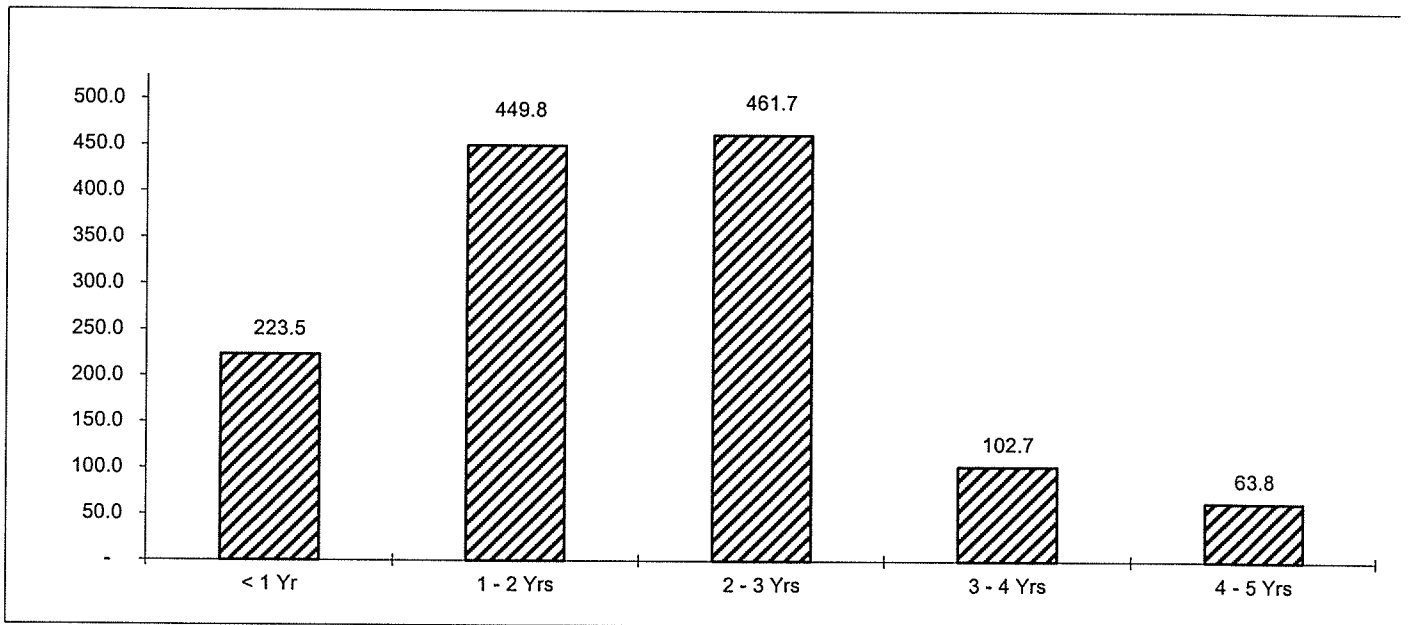
Short-Term Portfolio

As of 5/31/17

Total Portfolio Composition



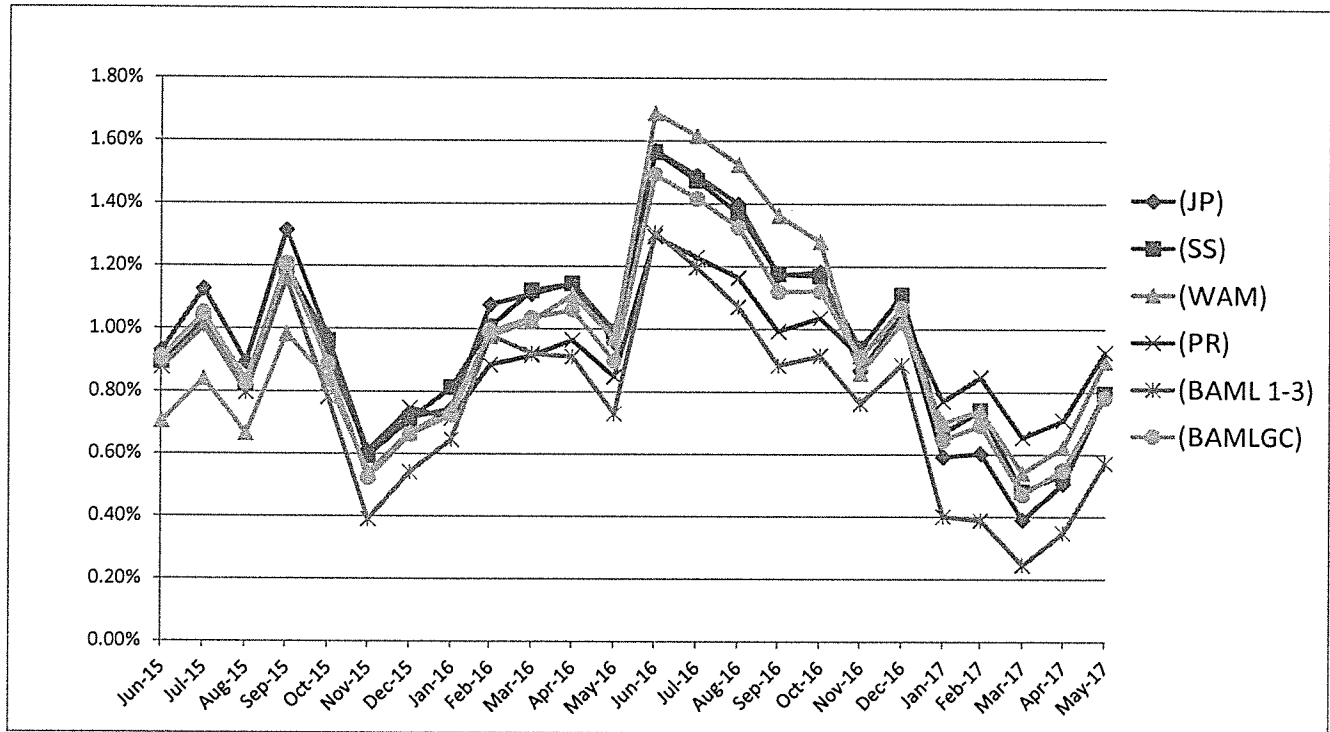
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 5/31/17

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

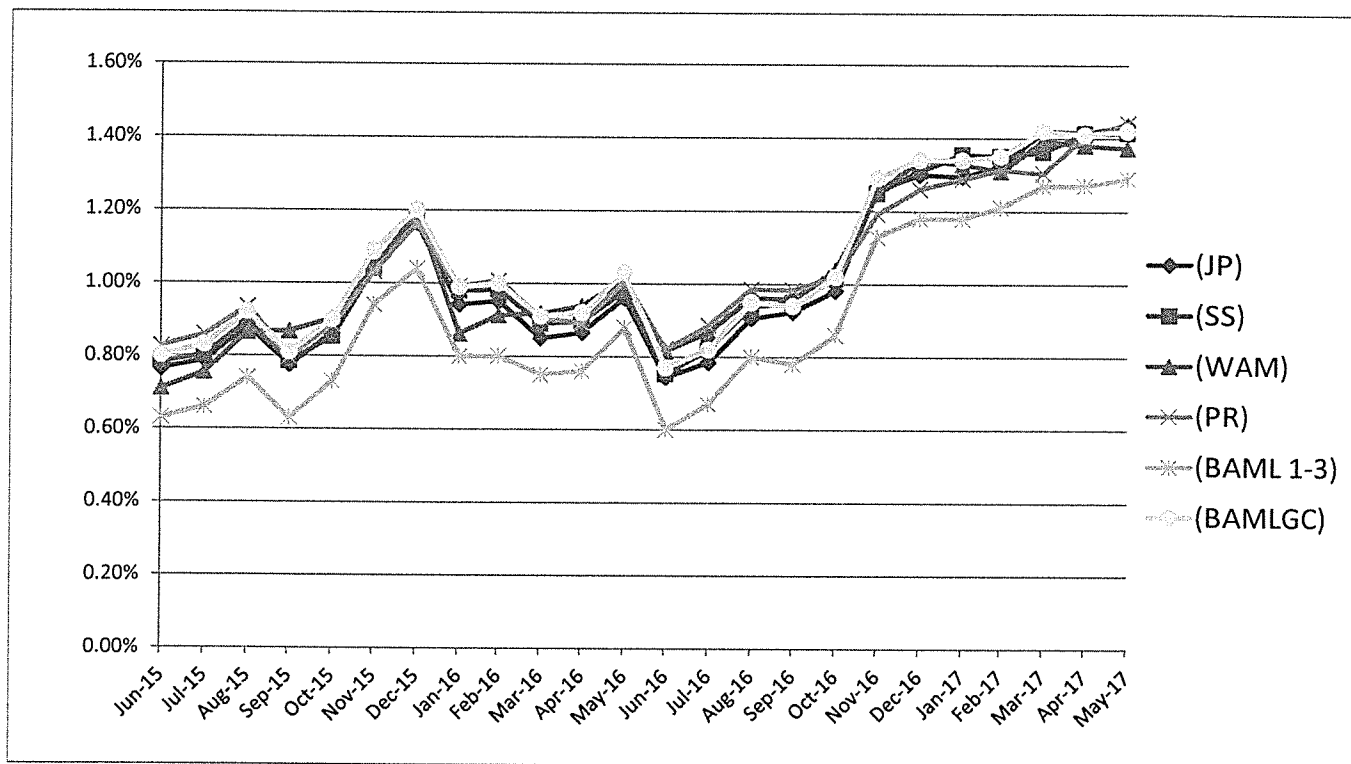


	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden & Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Jun-15	0.93%	0.89%	0.70%	0.90%	0.88%	0.91%
Jul-15	1.13%	1.03%	0.84%	1.04%	1.01%	1.05%
Aug-15	0.89%	0.83%	0.66%	0.83%	0.80%	0.83%
Sep-15	1.31%	1.20%	0.98%	1.19%	1.16%	1.21%
Oct-15	0.97%	0.96%	0.84%	0.91%	0.78%	0.89%
Nov-15	0.61%	0.59%	0.54%	0.61%	0.39%	0.52%
Dec-15	0.72%	0.71%	0.67%	0.75%	0.54%	0.66%
Jan-16	0.74%	0.81%	0.74%	0.71%	0.65%	0.72%
Feb-16	1.08%	1.01%	0.98%	0.89%	0.98%	0.99%
Mar-16	1.11%	1.12%	1.03%	0.92%	0.92%	1.04%
Apr-16	1.15%	1.14%	1.11%	0.96%	0.91%	1.06%
May-16	0.96%	0.99%	0.97%	0.85%	0.73%	0.90%
Jun-16	1.57%	1.56%	1.69%	1.30%	1.31%	1.49%
Jul-16	1.49%	1.47%	1.62%	1.23%	1.20%	1.42%
Aug-16	1.40%	1.37%	1.52%	1.16%	1.07%	1.32%
Sep-16	1.17%	1.18%	1.36%	0.99%	0.88%	1.12%
Oct-16	1.18%	1.17%	1.28%	1.04%	0.92%	1.12%
Nov-16	0.87%	0.94%	0.86%	0.92%	0.76%	0.91%
Dec-16	1.04%	1.11%	1.02%	1.05%	0.89%	1.07%
Jan-17	0.59%	0.67%	0.70%	0.77%	0.40%	0.65%
Feb-17	0.60%	0.74%	0.74%	0.85%	0.39%	0.69%
Mar-17	0.39%	0.48%	0.54%	0.65%	0.25%	0.47%
Apr-17	0.51%	0.54%	0.62%	0.71%	0.35%	0.55%
May-17	0.79%	0.80%	0.90%	0.93%	0.57%	0.78%

Comparative Yield Performance

As of 5/31/17

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



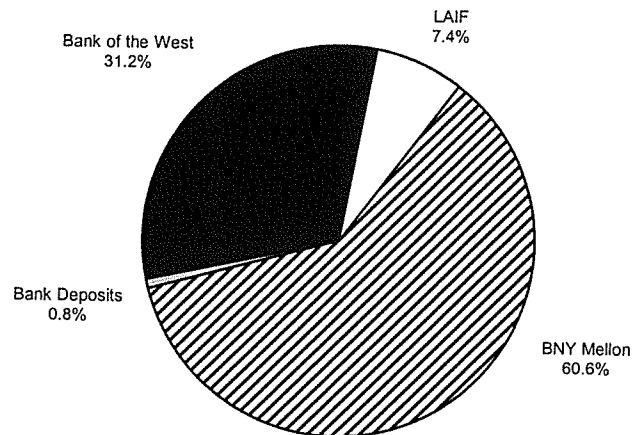
	JP Morgan (JP)	State Street (SS)	Western Asset Mgmt (WAM)	Payden Rygel (PR)	BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Jun-15	0.77%	0.78%	0.71%	0.83%	0.63%	0.80%
Jul-15	0.79%	0.80%	0.76%	0.86%	0.66%	0.83%
Aug-15	0.88%	0.89%	0.87%	0.94%	0.74%	0.92%
Sep-15	0.78%	0.79%	0.87%	0.80%	0.63%	0.81%
Oct-15	0.86%	0.85%	0.90%	0.89%	0.73%	0.90%
Nov-15	1.04%	1.04%	1.04%	1.03%	0.94%	1.09%
Dec-15	1.16%	1.17%	1.19%	1.16%	1.04%	1.20%
Jan-16	0.94%	0.98%	0.86%	0.99%	0.80%	0.99%
Feb-16	0.95%	0.98%	0.91%	1.01%	0.80%	1.00%
Mar-16	0.85%	0.89%	0.92%	0.91%	0.75%	0.91%
Apr-16	0.87%	0.90%	0.94%	0.89%	0.76%	0.92%
May-16	0.96%	0.98%	1.01%	1.01%	0.88%	1.03%
Jun-16	0.74%	0.75%	0.82%	0.82%	0.60%	0.77%
Jul-16	0.79%	0.82%	0.87%	0.89%	0.67%	0.82%
Aug-16	0.91%	0.94%	0.96%	0.99%	0.80%	0.95%
Sep-16	0.92%	0.95%	0.96%	0.98%	0.78%	0.94%
Oct-16	0.98%	1.02%	1.04%	1.02%	0.86%	1.02%
Nov-16	1.26%	1.25%	1.25%	1.19%	1.13%	1.29%
Dec-16	1.30%	1.31%	1.34%	1.26%	1.18%	1.34%
Jan-17	1.29%	1.36%	1.33%	1.29%	1.18%	1.34%
Feb-17	1.32%	1.35%	1.31%	1.31%	1.21%	1.35%
Mar-17	1.42%	1.36%	1.39%	1.30%	1.27%	1.42%
Apr-17	1.42%	1.41%	1.38%	1.41%	1.27%	1.41%
May-17	1.44%	1.42%	1.37%	1.44%	1.29%	1.42%

Liquid Funds Portfolio - \$139.1 M

As of 5/31/17

Other Liquid Funds

Book Value	\$	139,084,489
Market Value	\$	139,084,489



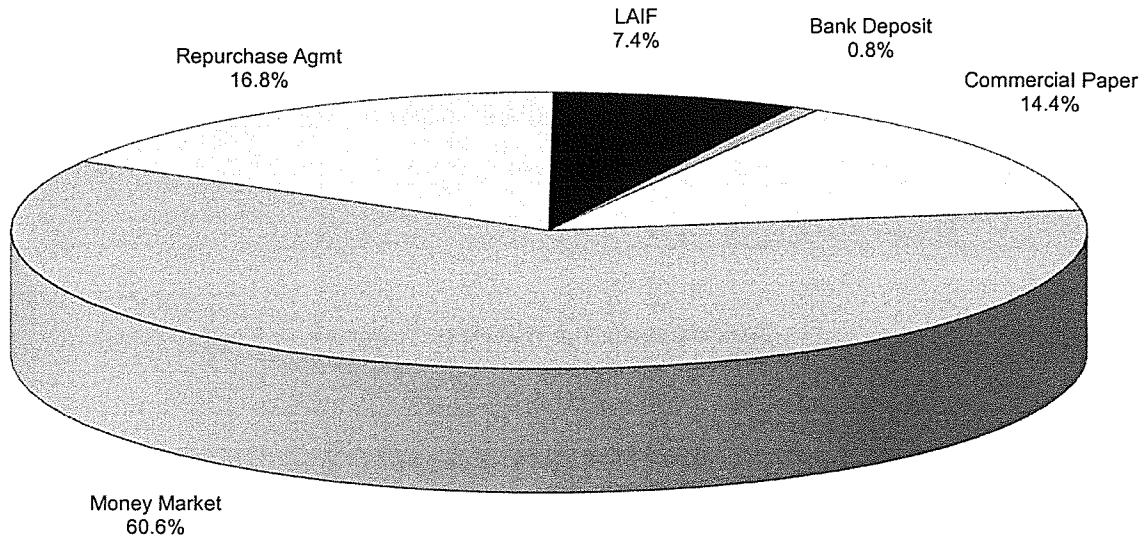
Yield Curve Change From 4/30/17 to 5/31/17			
	<u>4/30/17</u>	<u>5/31/17</u>	<u>Change</u>
1 Month	0.662%	0.860%	0.1980%
3 Month	0.795%	0.973%	0.1780%
6 Month	0.970%	1.068%	0.0980%

Market Value Reported By Custodial Bank

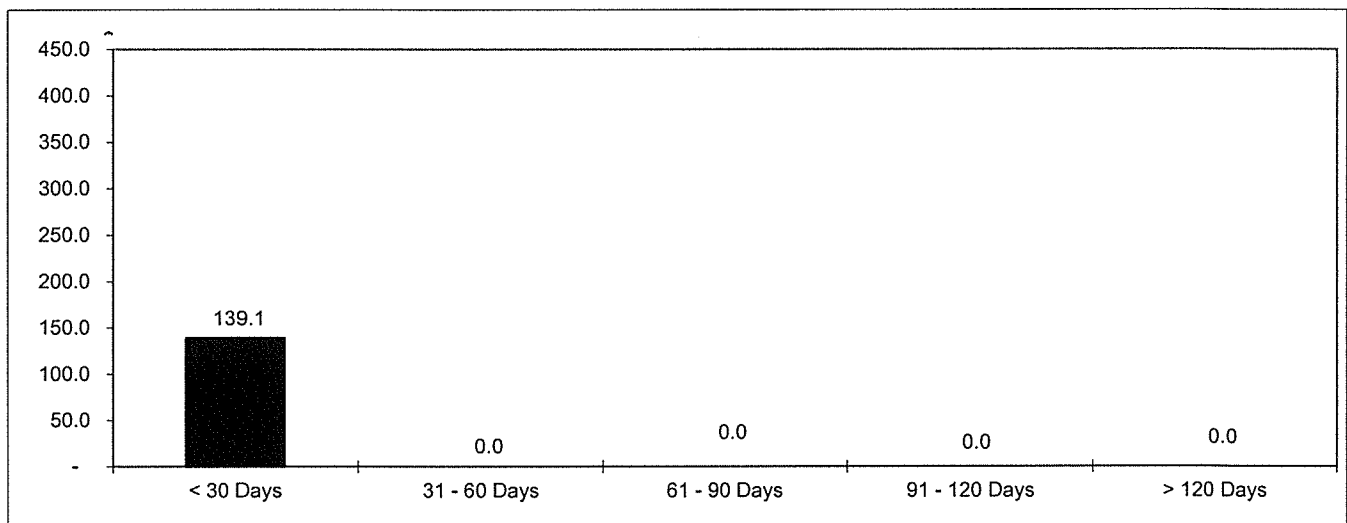
Liquid Portfolio

As of 5/31/17

Total Portfolio Composition



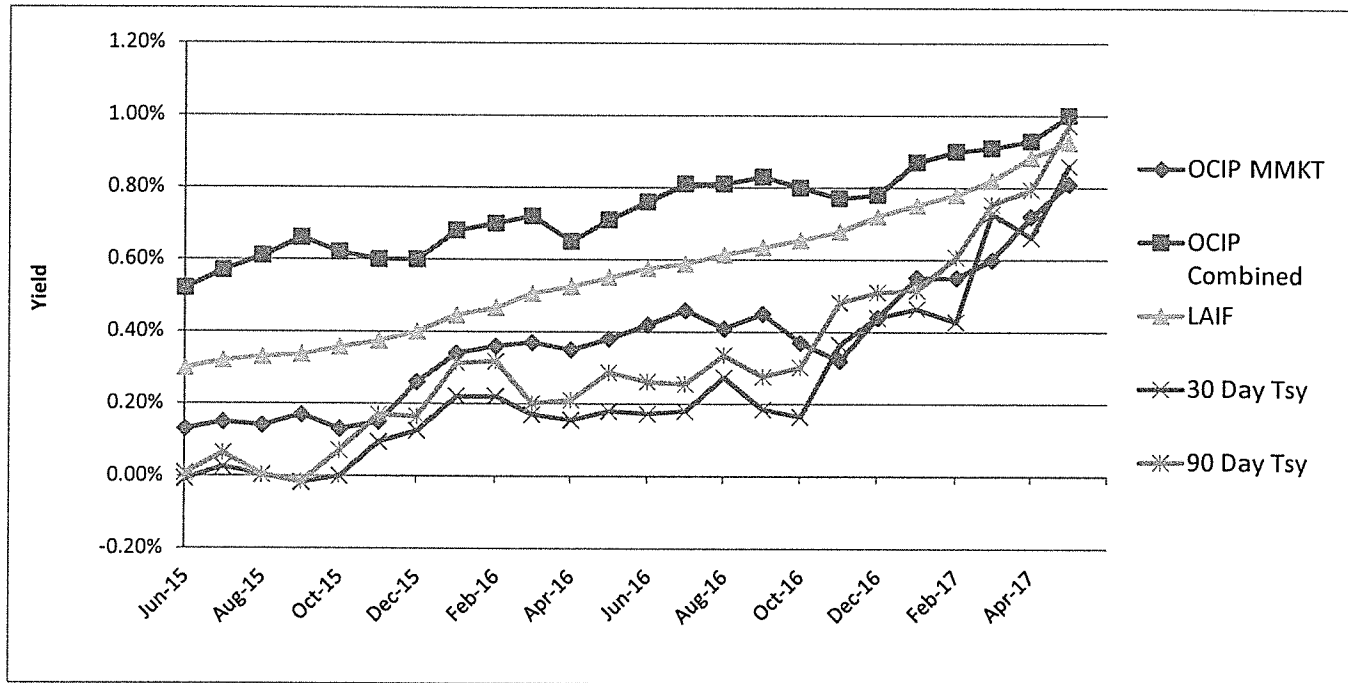
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 5/31/17

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



	OCIP MMKT	OCIP Combined	LAIF	30 Day Tsy	90 Day Tsy
Jun-15	0.13%	0.52%	0.30%	-0.01%	0.01%
Jul-15	0.15%	0.57%	0.32%	0.03%	0.06%
Aug-15	0.14%	0.61%	0.33%	0.00%	0.00%
Sep-15	0.17%	0.66%	0.34%	-0.02%	-0.02%
Oct-15	0.13%	0.62%	0.36%	0.00%	0.07%
Nov-15	0.15%	0.60%	0.37%	0.09%	0.17%
Dec-15	0.26%	0.60%	0.40%	0.13%	0.17%
Jan-16	0.34%	0.68%	0.45%	0.22%	0.31%
Feb-16	0.36%	0.70%	0.47%	0.22%	0.32%
Mar-16	0.37%	0.72%	0.51%	0.17%	0.20%
Apr-16	0.35%	0.65%	0.53%	0.16%	0.21%
May-16	0.38%	0.71%	0.55%	0.18%	0.29%
Jun-16	0.42%	0.76%	0.58%	0.17%	0.26%
Jul-16	0.46%	0.81%	0.59%	0.18%	0.26%
Aug-16	0.41%	0.81%	0.61%	0.27%	0.34%
Sep-16	0.45%	0.83%	0.63%	0.19%	0.28%
Oct-16	0.37%	0.80%	0.65%	0.17%	0.30%
Nov-16	0.32%	0.77%	0.68%	0.37%	0.48%
Dec-16	0.44%	0.78%	0.72%	0.44%	0.51%
Jan-17	0.55%	0.87%	0.75%	0.46%	0.52%
Feb-17	0.55%	0.90%	0.78%	0.43%	0.61%
Mar-17	0.60%	0.91%	0.82%	0.73%	0.75%
Apr-17	0.72%	0.93%	0.88%	0.66%	0.80%
May-17	0.81%	1.00%	0.93%	0.86%	0.97%

Investment Policy Compliance

As of 5/31/17

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	675,979,634	46.2%	100%
Federal Agencies & U.S. Government Sponsored *	150,417,956	10.3%	100%
State of California & Local Agencies	14,034,383	1.0%	25%
Money Market Funds & Mutual Funds	92,739,440	6.3%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	9,458,238	0.6%	30%
Commercial Paper	43,860,888	3.0%	25%
Medium Term Maturity Corporate Securities	298,856,734	20.4%	30%
Mortgage and Asset-backed Securities	122,833,809	8.4%	10%
Repurchase Agreements	23,420,988	1.6%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,253,754	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	39,305	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	21,369,038	1.5%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	1,100,253	0.1%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,464,364,419	100.0%	

* See attached page for a detailed listing of this category

Investment Policy Compliance

As of 5/31/17

Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<u>Federal Agencies & U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	44,804,329	3.1%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	59,426,560	4.1%	35%
Federal National Mortgage Association (FNMA)	76,853,223	5.2%	35%
Federal Housing and Urban Development	<u>1,000,000</u>	0.1%	35%
	182,084,112 *	12.4%	

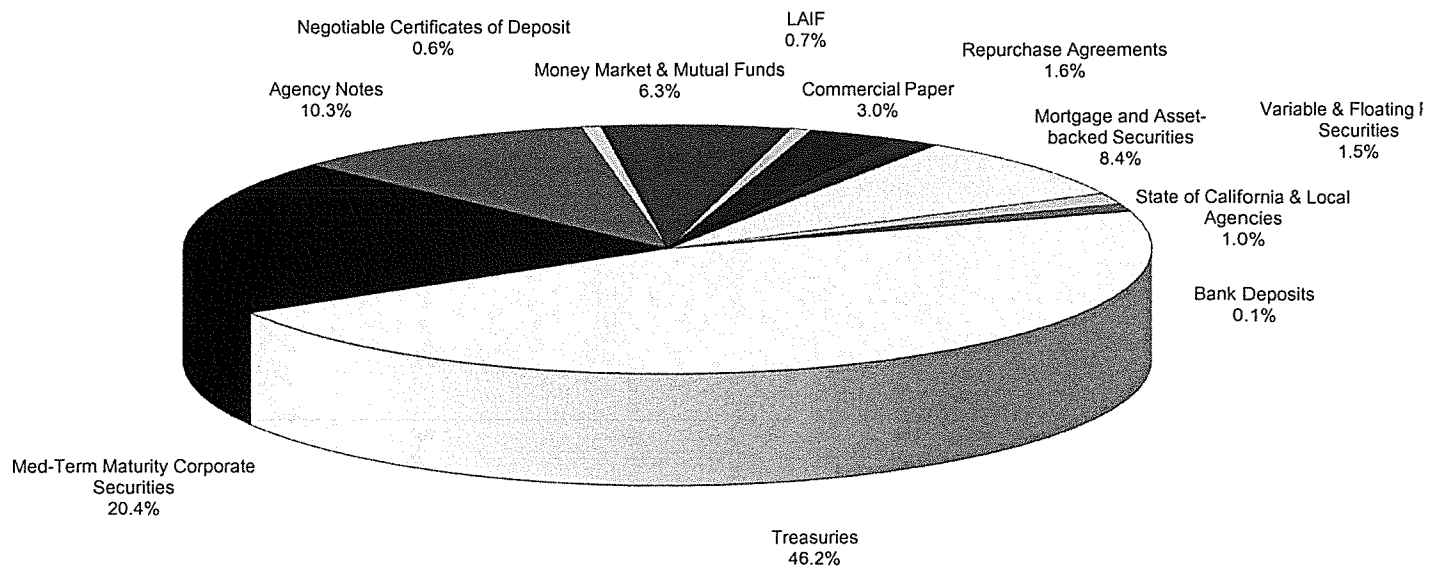
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	3,028	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	8,462,987	0.6%
Fidelity Treasury Obligations MMF	75,843,009	5.2%
Federated Treasury Obligations Fund	<u>8,430,417</u>	<u>0.6%</u>
	92,739,440	6.3%

Investment Allocation

As of 5/31/17



Negative Credit Watch

As of 5/31/17

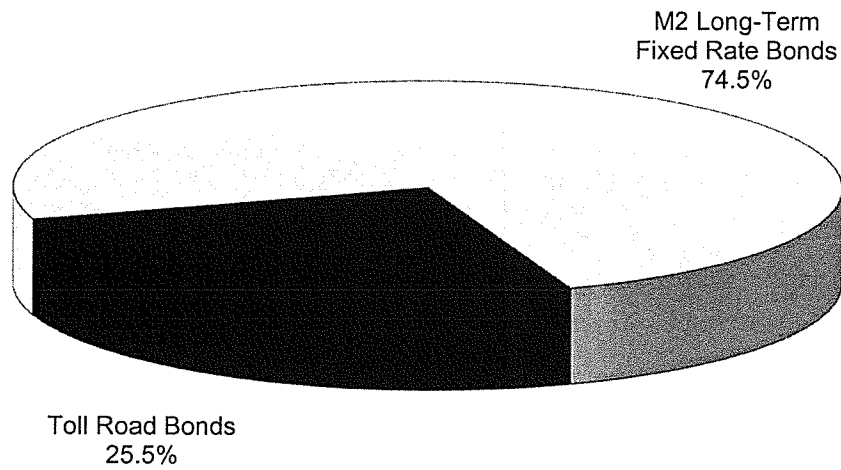
<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
JPM					
<i>McDonalds</i>	140,000	10/15/2017	BBB+	Baa1	BBB+
Removed from negative credit watch, but no longer within Investment Policy guidelines.					
<i>Bayer US Financial</i>	200,000	10/8/2019	A-	A3	NA
During May 2016, Standard & Poor's and Moody's placed the long-term ratings of Bayer Financial under review for possible downgrade.					
<i>Georgia Power Company</i>	150,000	6/1/2017	A3	A-	A+
During March 2017, Fitch placed the long-term ratings of Georgia Power Co. under review for possible downgrade.					
<i>Schlumberger Holdings</i>	630,000	12/21/2020	AA-	Baa1	N/A
On May 23, 2017, Slumberger Holdings, an oil services company, was downgraded by Moody's. The security was sold the next day at a gain.					

DEBT PROGRAM

Total Outstanding Debt

As of 5/31/17

Outstanding Debt



TOTAL OUTSTANDING DEBT: \$427,140,000

Outstanding Debt

As of 5/31/17

Orange County Local Transportation Authority (OCLTA-M2)

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

Issued:	\$	293,540,000
Outstanding:	\$	293,540,000
Debt Service FY 2017:		13,409,389
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:	\$	24,470,000
Debt Service FY 2017:		8,912,100
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2020

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

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



June 28, 2017

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

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2016-17 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2016-17.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2016-17 Budget on June 13, 2016. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects. The OCTA budget is a compilation of individual budgets for each of OCTA's funds, including the General Fund; five enterprise funds; six special revenue funds; one capital project fund; one debt service fund; four trust funds; and two internal service funds.

The balanced budget as originally approved by the Board in June was \$1.16 billion. Sources of funds were comprised of \$972.2 million in current year revenues and \$189.3 million in use of prior year designations. Uses of funds were comprised of \$1.09 billion of current year expenditures and \$68.8 million of designations.

The Board has approved two amendments increasing both expense and revenue budgets by \$1.15 billion. The first amendment approved on September 26, 2016, increased the maximum obligation for two Job Access and Reverse Commute agreements by \$0.3 million. The second was approved on November 14, 2016, for agreement C-5-3843, Design-Build costs for the

Interstate 405 Improvement Project totaling \$1.15 billion. These amendments increased the total FY 2016-17 working budget to \$2.31 billion.

Discussion

Staff monitors and analyzes revenues and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary level overview of amendments, staffing levels, and provides explanations for any material budget-to-actual variances within each pertinent OCTA program or fund. The OCTA programs and funds included are the Measure M2 (M2) Program, Transit Program, 91 Express Lanes Program, Commuter Rail Fund, and General Fund.

Attachment A is comprised of two sections. The first section covers total OCTA information, amendments, staffing, revenues, operating, and capital expenditures. The second section focuses on variance explanations by program or fund.

The third quarter true-up was received for the Local Transportation Authority (LTA) M2 sales tax revenue. The results yield a 2.29 percent growth rate year-over-year in comparison to the budgeted growth rate of 4.4 percent. Table 1 shows budget versus actual LTA M2 sales tax revenues received quarterly with the true-up included for each quarter.

Table 1 - LTA M2 Sales Tax Revenue				
	Quarter 1	Quarter 2	Quarter 3	Total YTD
Budget	\$ 77,610,405	\$ 82,291,806	\$ 71,627,319	\$ 231,529,530
Actuals	\$ 75,979,564	\$ 80,967,512	\$ 71,019,965	\$ 227,967,041
Variance	\$ (1,630,841)	\$ (1,324,294)	\$ (607,354)	\$ (3,562,489)

*True-up payments are received at the end of the following quarter.

Similarly, in the third quarter, the true-up for the Local Transportation Fund (LTF) sales tax revenue was also received. The results yield a 2.34 percent growth rate year-over-year in comparison to the budgeted growth rate of 2.8 percent. Table 2 shows budget versus actual LTF sales tax revenues received quarterly with the true-up included for each quarter.

Table 2 - LTF Sales Tax Revenue				
	Quarter 1	Quarter 2	Quarter 3	Total YTD
Budget	\$ 39,807,310	\$ 41,573,889	\$ 36,973,156	\$ 118,354,355
Actuals	\$ 39,568,549	\$ 41,800,481	\$ 37,145,453	\$ 118,514,483
Variance	\$ (238,761)	\$ 226,592	\$ 172,297	\$ 160,128

*True-up payments are received at the end of the following quarter.

Fare revenue for Transit Operations underran by approximately \$2 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.1 percent. Underruns in operating revenue for the Transit Program are offset by underruns of \$7.9 million in operating expenditures. These underruns are discussed in more detail in Attachment A.

The majority of variance explanations were due to timing issues for both revenues and expenses. In areas where expenditures underran the budget, the primary cause was timing issues related to capital projects. Often these same projects have external funding that cannot be sought for reimbursement until expenditures are incurred, thus creating underruns in revenues as well.

Summary

In the third quarter, LTA M2 and LTF sales tax revenue true-ups were received. The results yielded a 2.29 percent growth rate year-over-year compared to the budgeted growth rate of 4.4 percent for LTA M2 sales tax revenue and 2.34 percent growth compared to the budgeted growth rate of 2.8 percent for LTF.

Fare revenue underran by approximately \$2 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.1 percent. Underruns in operating revenue for the Transit Program are offset by underruns of \$7.9 million in operating expenditures.

Attachment

- A. Quarterly Budget Status Report Third Quarter of Fiscal Year 2016-17

Prepared by:



Scott Arbuckle
Section Manager,
Financial Planning and Analysis
(714) 560-5350

Approved by:

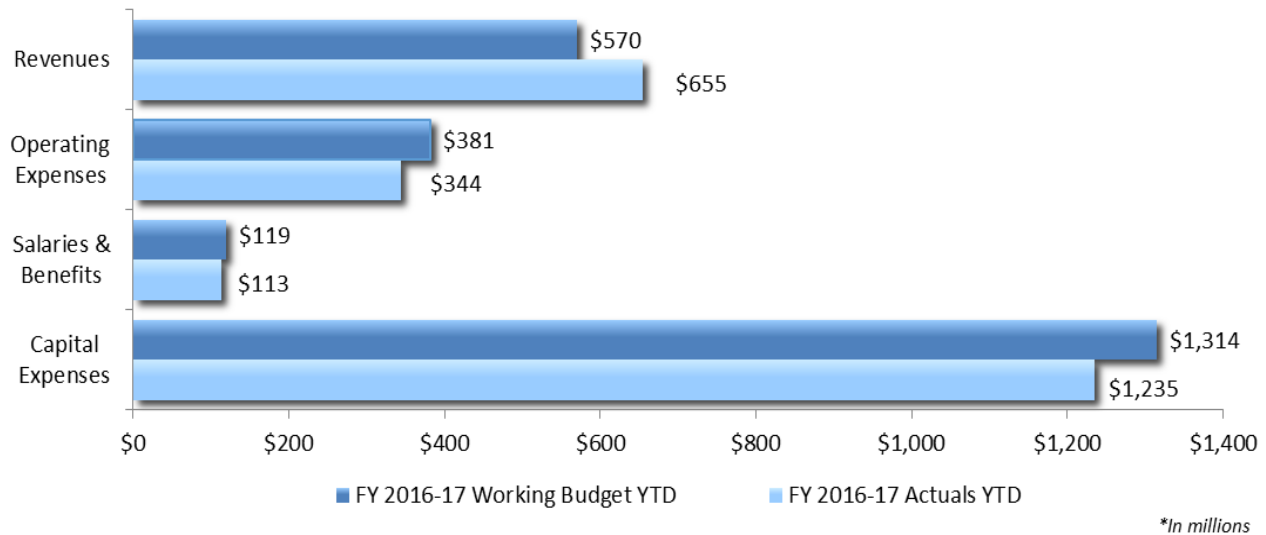


Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649



Quarterly Budget Status Report

Third Quarter of Fiscal Year 2016-17



OVERVIEW

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2016-17 budget on June 13, 2016. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and meet service commitments.

In the third quarter, the second quarter Local Transportation Authority (LTA) Measure M2 (M2) and Local Transportation Fund (LTF) sales tax revenue true-ups were received. The results yielded a 2.79 percent growth rate year-over-year compared to the budgeted growth rate of 4.4 percent for LTA M2 sales tax revenue and 2.35 percent growth compared to the budgeted growth rate of 2.8 percent for LTF. Advances in the third quarter for LTA M2 sales tax revenue did increase slightly. However, LTA M2 sales tax revenue is still causing a year-to-date underrun of approximately \$3.1 million. Advances for LTF sales tax revenue were higher than anticipated in the third quarter causing actuals to exceed the budget by approximately \$3.1 million. However, the actual amount for both of these sales tax revenues for the third quarter will not be finalized until mid-June when OCTA receives the third quarter "true-up" payment. Fare revenue underran by approximately \$2 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.1 percent. Underruns in operating revenue for the Transit Program are offset by underruns of \$7.9 million in operating expenditures.

The majority of variance explanations are due to timing issues for both revenues and expenses. In areas where expenditures underran the budget, the primary cause is timing issues related to capital projects. Often these same projects have external funding that cannot be sought for reimbursement until expenditures are incurred, creating underruns in revenues as well.

This report summarizes the material variances between the budget plan and actual revenues and expenses for the FY.

AMENDMENTS

The OCTA Board of Directors has approved two budget amendments in the amount of \$1.15 billion.

Description (in thousands)	Amount
Adopted Budget	\$ 1,161,476
Job Access & Reverse Commute Agreements	313
Design-Build I-405 Improvement Project	1,147,065
Total Working Budget	\$ 2,308,854



STAFFING

A staffing plan of 1,386.5 full-time equivalent positions was approved for FY 2016-17. At the end of the third quarter 1,328 of these positions were filled.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	680.0	663.0	17.0	2.5%
Maintenance	171.0	160.0	11.0	6.4%
TCU	37.0	36.0	1.0	2.7%
<i>Union Subtotal</i>	888.0	859.0	29.0	3.3%
Transit Operations Support	173.5	162.5	11.0	6.3%
Other Administrative	325.0	306.5	18.5	5.7%
<i>Administrative Subtotal</i>	498.5	469.0	29.5	5.9%
Total OCTA	1,386.5	1,328.0	58.5	4.2%

TOTAL SALARIES AND BENEFITS

At the end of the third quarter, actual salaries and benefits of \$113 million were \$6.2 million under the budget of \$119.2 million. This variance is due to a \$4.6 million underrun in Transit Program salaries and benefits and a \$1.6 million underrun in General Fund salaries and benefits. In both cases, the underruns are primarily driven by vacant administrative positions.

Total Administrative Salaries and Benefits Expenses				
	Budget	Actual	\$ Variance	% Variance
Transit	\$ 80,469	\$ 75,890	\$ 4,579	5.7%
General Fund	\$ 38,693	\$ 37,117	\$ 1,576	4.1%
Total	\$ 119,163	\$ 113,007	\$ 6,155	5.2%

PROGRAM AND FUND VARIANCES

Year-to-date material variances are listed by program or fund group in thousands.

General Fund				
	Budget	Actual	\$ Variance	% Variance
Revenues	\$ 4,490	\$ 4,137	\$ (354)	-7.9%
Expenses	\$ 72,678	\$ 63,420	\$ 9,258	12.7%

Expenses: General Fund expenses underran the budget by \$9.3 million. This variance (\$17.9 million) is primarily attributed to the construction of the Placentia Metrolink station. The construction of the Placentia Metrolink station is anticipated to take place in FY 2017-18 as a result of an increase in scope to incorporate a parking garage to ensure compliance with current building code standards. There is also an underrun of \$1.6 million in administrative salaries and benefits. These underruns are partially offset by timing of the Bristol Street Widening Project expenditures of \$11.5 million. The majority of the expenses associated with the project were expected to be paid in the fourth quarter. However, the entirety of the expenses were paid to the City of Santa Ana during the third quarter. Expenditures are anticipated to be in alignment with the budget by the end of the fourth quarter.



Measure M2 Program				
	Budget	Actual	\$ Variance	% Variance
Revenues	\$ 268,093	\$ 306,157	\$ 38,064	14.2%
Expenses	\$ 1,393,468	\$ 1,380,701	\$ 12,767	0.9%

Revenues: Within the M2 Program, there is a net overrun of \$38.1 million. This is primarily due to overruns in the OC Bridges (\$31.8 million) and Regional Capacity Program revenues (\$14.4 million). These overruns are due to prior year grant revenue reimbursements being received in the current FY. However, these overruns are partially offset by an underrun in LTA sales tax revenue of \$3.1 million.

LTA sales tax revenue is growing at 2.79 percent year-over-year in comparison to the budgeted growth rate of 4.4 percent. As a result of the lower than budgeted growth rate, LTA M2 sales tax revenue is underrunning the budget by approximately \$3.1 million year-to-date. Table 1 shows budget versus actual LTA M2 sales tax revenues received quarterly with the true-up included for the first and second quarter. However, the actual amount of LTA M2 sales tax revenues for the third quarter will be finalized mid-June when OCTA receives the third quarter "true-up" payment.

Table 1 - LTA M2 Sales Tax Revenue

	Quarter 1		Quarter 2		Quarter 3		Total YTD
Budget	\$	77,610	\$	82,292	\$	63,122	\$ 223,025
Actuals	\$	75,980	\$	80,968	\$	62,976	\$ 219,923
Variance	\$	(1,631)	\$	(1,324)	\$	(146)	\$ (3,102)

*True-up payments are received at the end of the following quarter.

Expenses: M2 expenses are underrunning by \$12.8 million. The variance can be attributed to OC Bridges (\$8.1 million), State Route 57 (SR-57) Freeway Improvements (\$7.1 million), Interstate 5 Freeway Improvements (\$7 million), Regional Traffic Signal Synchronization (\$5 million), Regional Capacity Program (\$5 million), Community Based Transit Circulators (\$4.3 million), and State Route 55 Freeway Improvements (\$2.7 million). These underruns are partially offset by overruns within Interstate 405 (I-405) Freeway improvements (\$29.9 million),

The \$8.1 million underrun pertaining to OC Bridges can be attributed to several grade separation projects. The State College Separation Project is contributing \$4.5 million to the underrun. This underrun is primarily due to the cooperative agreement with the City of Fullerton. Approval of an amendment to the cooperative agreement was required by the Fullerton City Council before additional payments can be provided to the city. The amendment was approved late in the third quarter and invoicing is expected to begin in the fourth quarter. The Tustin Avenue Grade Separation Project is contributing \$2.5 million to the underrun. Invoices related to this project are currently running one to two months in arrears. Right-of-Way (ROW) land acquisition underran by \$1 million due to a lower than expected cost to acquire properties.

The \$7.1 million variance pertaining to the SR-57 Project can primarily be attributed to delays in the project. The project continues to be delayed as the consultant addresses design product quality issues. Staff and California Department of Transportation (Caltrans) are working with the consultant to

address the quality issues to complete the design, and achieve construction ready in FY 2018.

The landscaping for the SR-57 between Katella Avenue and Lincoln Avenue will not be completed in the current FY as planned due to delays in Caltrans safety reviews of the final design. This will push future milestones of the project into FY 2018.

The Regional Traffic Signal Synchronization Program underran by \$5 million through the third quarter. This is due to the collaboration process with consultants, local agencies, and Caltrans. A large collaborative effort is required due to the massive scope of the projects, as such, the projects are taking longer than originally anticipated. Progress will accelerate as the projects advance in development.

Approximately \$5 million of the variance is associated with the Regional Capacity Program. The billing cycles and the magnitude of expenses are dependent upon the cities progress/completion of their individual projects, making billing cycles difficult to forecast. This program will continue to be monitored throughout the FY.

The underrun within Community Based Transit Circulators (\$4.3 million) is primarily due to fewer than expected cities joining the program through the third quarter. Memorandums of understanding (MOUs) have been sent out to several cities within the county for signatures. Service for these areas could potentially begin during the next FY.

The SR-55 project has experienced underruns (\$2.7 million) within ROW utilities due to modification requests by Caltrans. An updated Draft Environmental Document and Project Report was completed late in the third quarter. The environmental, design and ROW phases are anticipated to begin next FY.

The primary driver behind the \$29.9 million overrun relating to the I-405 Improvement Project is the earlier than expected encumbrance of the design build contract. This contract was originally expected to be fully executed in the fourth quarter, which created a \$64 million overrun. This overrun has been partially offset by underruns in ROW land acquisition and project development. A \$26 million underrun in ROW land acquisition can be attributed to the longer than expected lead time required to extend offers to land owners, and the difficulty of predicting the acceptance rate among property owners. Underruns of \$12.1 million within project

development are primarily due to invoicing running several months in arrears.



Transit Program				
	Budget	Actual	\$ Variance	% Variance
Revenues	\$ 214,669	\$ 268,034	\$ 53,365	24.9%
Expenses	\$ 183,623	\$ 166,909	\$ 16,715	9.1%

Revenues: Transit revenues have overrun by \$53.4 million. The variance is primarily related to the receipt of federal grant funds for the purchase of buses from the prior year. (\$57 million) and LTF sales tax revenues (\$3.1 million). However, this overrun was partially offset by an underrun in grant funds related to the engine upgrade project (\$3.8 million) and fare revenues (\$2 million).

An overrun of \$57 million within revenue was related to a bus procurement. Federal grant funds received through the third quarter were a partial reimbursement from a prior year bus procurement. Additional federal grant funds are likely to be received as the FY continues.

The underrun of \$3.8 million in grant revenues related to the engine upgrade project is simply a timing issue. The project has been completed and we anticipate to receive the reimbursed revenues by the end of the FY.

Fare revenues underran by \$2 million. This is primarily due to lower than anticipated utilization of fixed-route bus services. Year-over-year fixed-route boardings have decreased by 9.1 percent. Staff will continue to monitor this variance and provide regular updates.

In the third quarter, the second quarter Local Transportation Fund (LTF) sales tax revenue true-up was also received. The results yield a 2.35 percent growth rate year-over-year in

comparison to the budgeted growth rate of 2.8 percent. Advances in the third quarter have grown at 12.8 percent, resulting in an overrun of approximately \$3.1 million year-to-date. Table 2 shows budget versus actual LTF sales tax revenues received quarterly with the true-up included for the first and second quarter. However, the actual amount of LTF sales tax revenues for the third quarter will be finalized mid-June when OCTA receives the third quarter "true-up" payment.

Table 2 - LTF Sales Tax Revenue				
	Quarter 1	Quarter 2	Quarter 3	Total YTD
Budget	\$ 39,807	\$ 41,574	\$ 33,871	\$ 115,252
Actuals	\$ 39,569	\$ 41,800	\$ 37,001	\$ 118,370
Variance	\$ (239)	\$ 227	\$ 3,130	\$ 3,117

*True-up payments are received at the end of the following quarter.

Expenses: The \$16.7 million underrun in Transit expenditures is primarily attributed to bus capital projects and procurement (\$6.6 million), salaries and benefits (\$4.6 million), bus base and transit center projects (\$1.9 million), fuels (\$1.1 million), and equipment maintenance (\$0.6 million).

Expenses related to bus capital projects and procurement underran through the third quarter by \$6.6 million. Approximately \$5.5 million of the underrun is due to the mid-life engine campaign on 97 Compressed Natural Gas buses. Maintenance staff was required by Cummins to establish Installation Quality Assurance Approval (IQA) before the first set of engines could be delivered. The IQA was recently completed and the project has continued. The remaining \$1.1 million variance can be attributed to the procurement of buses for community based circulator service. The purchase price for seven cutaway buses came in lower than expected.

Labor costs underran by approximately \$4.6 million primarily due to vacant positions. The current vacancy rate for Transit union employees is 3.3 percent and 6.3 percent for administrative employees.

Projects related to bus base improvements have contributed \$1.9 million to the variance. This underrun is primarily due to the project to improve security cameras at the Santa Ana and Garden Grove bases (\$1.2 million) and two small construction projects at the Garden Grove Base (\$0.5 million). These projects are anticipated to begin in FY 2018 and have been re-budgeted.

The underruns in fuel (\$1.1 million) and equipment maintenance (\$0.6 million) can be attributed to the timing of

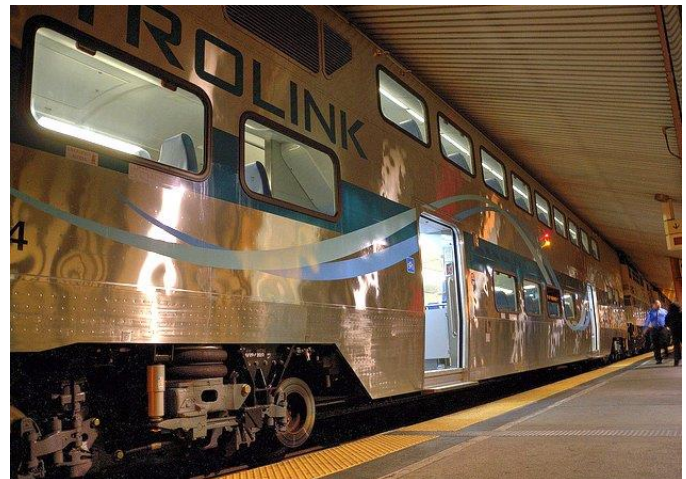
invoicing from the vendors. Several accounts within these categories are billing two to three months in arrears. Actuals are expected to be in alignment with the budget by year end.



91 Express Lanes Program				
	Budget	Actual	\$ Variance	% Variance
Revenues	\$ 32,741	\$ 39,996	\$ 7,254	22.2%
Expenses	\$ 33,665	\$ 26,459	\$ 7,205	21.4%

Revenues: The 91 Express Lanes revenues are overrunning by \$7.3 million. Approximately \$3.7 million of the overrun is related to more than anticipated non-toll revenues. These revenues are due to a higher number of toll violations having been processed through the third quarter and a larger number of account minimum fees collected than originally anticipated. An additional \$3.3 million of the overrun is related to more trips than originally anticipated through the third quarter. When forecasting trips, a conservative approach was taken due to the repaving project that resulted in weekend closures earlier in the FY. It was anticipated that the weekend closures that would occur during the project would lead to a significant decrease in trips. The weekend closures related to the project did not have the projected negative effect and trips exceeded expectations through the third quarter.

Expenses: 91 Express Lanes expenses are underrunning by \$7.2 million primarily due to the pavement rehabilitation project. This project began later than expected due to scheduling requirements and weather conditions. The paving project is contributing \$5.5 million to the underrun and should be completed in the fourth quarter. Operational costs related to the toll road are also contributing to the underrun. The contract for toll road operations was negotiated at a lower than expected rate leading to an underrun of \$0.6 million.



Commuter Rail Fund				
	Budget	Actual	\$ Variance	% Variance
Revenues	\$ 12,683	\$ 6,314	\$ (6,369)	-50.2%
Expenses	\$ 61,918	\$ 25,930	\$ 35,988	58.1%

Revenues: Commuter Rail Fund revenues underran by \$6.4 million. The underrun is primarily due to revenues associated with the Orange Transportation Center parking project. Expenditures for this project were anticipated to be incurred in the third quarter. However, the project is now anticipated to incur expenses in FY 2018. As a result, revenues for this project will now be received in the FY 2018.

Expenses: Commuter Rail Fund expenses are underrunning by \$36 million. The underrun is primarily due to the Orange Transportation Center Parking Expansion Project (\$24.0 million), the Metrolink operating subsidy (\$6.3 million), and Metrolink Service Expansion Project Management Services (\$2.3 million). Award for the construction of the Orange Transportation Center Parking Expansion project is anticipated in the fourth quarter and expenses will begin in FY 2018. Expenses for the Metrolink operating subsidy are currently running a quarter in arrears. The remaining underrun of \$2.3 million is related to a Rotem car payment. OCTA received two invoices related to the purchase of Rotem cars by Metrolink. The processing of these invoices took longer than anticipated due to a request for additional back-up information and a subsequent financial review. After extensive review of the invoices and additional information, the process has moved forward and the payment will be made in the fourth quarter.



June 28, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Fiscal Year 2016-17 Third Quarter Grant Reimbursement Status Report

Overview

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

Recommendation

Receive and file as an information item.

Discussion

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

Awarded/Executed Grant Agreements:

During the third quarter, there were no new grants executed; however, there are a number of grants in development which are anticipated to be executed within the fourth quarter of this fiscal year (FY).

Current Grant Agreements:

OCTA's Federal Transit Administration (FTA) formula grant agreements total 16, and FTA discretionary grant agreements total three. The total FTA formula and discretionary grant agreements amount to \$424.9 million. The total amount reimbursed through the third quarter under these grant agreements is \$350.7 million, leaving a balance of \$74.2 million (Attachment A).

The balance (\$66.4 million) of the 16 FTA formula grant agreements will primarily fund fixed-route bus procurements, engine repowers, rideshare and vanpool programs, design and engineering for the Laguna Niguel/San Juan Capistrano passing siding project, preliminary engineering for the OC Streetcar Project, and rail rehabilitation projects.

The balance (\$7.7 million) of the three FTA discretionary grant agreements will primarily fund a new control point at 4th Street on the OCTA-owned railroad right-of-way (ROW), as well as slope stabilization improvements on the railroad ROW from the City of Laguna Niguel to the City of Lake Forest. The balance will also fund security camera surveillance systems for commuter rail stations located in the cities of Anaheim, Laguna Niguel/Mission Viejo, Orange, and Placentia.

OCTA also has 47 other formula grant agreements (Attachment B) and 10 other discretionary grant agreements (Attachment C).

The 47 other formula grant agreements total \$427.5 million. The total amount reimbursed through the third quarter under these other grant agreements is \$280.1 million, leaving a balance of \$147.4 million.

The ten other discretionary grant agreements total \$7.3 million. A total of \$1.9 million of these discretionary grant agreements has been reimbursed, leaving a balance of \$5.4 million. These other discretionary grant agreements have a defined grant expiration date. Project expenses must be fully paid and reimbursed prior to the grant agreement expiration date. Staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

Combined, the formula and discretionary grants total \$859.7 million. The total amount reimbursed across all these grant agreements equals \$632.7 million, leaving a remaining balance of \$227 million.

Closed Grant Agreements:

There were eight grant agreements totaling \$79.5 million that were closed out in the third quarter of FY 2016-17. These grant agreements are summarized in Attachment D.

Summary

This report provides an update of the grant agreement funded activities for the third quarter of FY 2016-17, January through March 2017. Staff recommends this report be received and filed as an information item.

Attachments

- A. Third Quarter Grant Reimbursement Status Report, January through March 2017, Federal Transit Administration Formula and Discretionary Grant Agreements
- B. Third Quarter Grant Reimbursement Status Report, January through March 2017, Other Formula Grant Agreements
- C. Third Quarter Grant Reimbursement Status Report, January through March 2017, Other Discretionary Grant Agreements
- D. Third Quarter Grant Reimbursement Status Report, January through March 2017, Closed Grant Agreements

Prepared by:



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Approved by:



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Executive Director,
Finance and Administration
714-560-5649

Third Quarter Grant Reimbursement Status Report

January through March 2017

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL GRANT AMOUNT	FEDERAL GRANT AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE OUT DATE
FTA Section 5307 - Urbanized Area Formula Grant Program						
1	2011	CA-90-Y860	\$ 58,821,054	\$ 56,095,709	\$ 2,725,345	March 2018
2	2012	CA-90-Y942	57,746,965	42,599,125	15,147,840	December 2017
3	2013	CA-90-Z027	53,878,507	53,379,853	498,654	December 2017
4	2014	CA-90-Z174	55,129,189	54,578,137	551,052	September 2017
5	2015	CA-2016-032	55,400,721	52,537,940	2,862,781	December 2017
6	2016	CA-2016-116	56,269,958	38,594,259	17,675,699	June 2018
FTA Section 5307 Grant Subtotal			\$ 337,246,394	\$ 297,785,023	\$ 39,461,371	
FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA):						
7	2010	CA-95-X131	\$ 2,102,650	\$ 1,170,180	\$ 932,470	April 2018
8	2012	CA-95-X180	4,260,000	3,467,786	792,214	June 2017
9	2012	CA-95-X195	2,244,000	2,154,468	89,532	June 2017
10	2012	CA-95-X210	12,669,000	7,335,168	5,333,832	October 2018
11	2012	CA-95-X254	5,657,000	2,746,693	2,910,307	June 2018
12	2014	CA-95-X286	6,621,000	2,749,406	3,871,594	August 2017
FTA Section 5307 Flexed Grant Subtotal			\$ 33,553,650	\$ 19,623,701	\$ 13,929,949	
FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program						
13	2009	CA-37-X113	\$ 13,962,488	\$ 8,584,687	\$ 5,377,801	September 2019
FTA Section 5316 Grant Subtotal			\$ 13,962,488	\$ 8,584,687	\$ 5,377,801	
FTA Section 5317 - New Freedoms Grant Program						
14	2009	CA-57-X038	\$ 6,387,801	\$ 6,262,555	\$ 125,246	September 2017
FTA Section 5317 Grant Subtotal			\$ 6,387,801	\$ 6,262,555	\$ 125,246	
FTA Section 5337 - State of Good Repair Grant Program						
15	2016	CA-2016-096	\$ 5,261,812	\$ 1,857,054	\$ 3,404,758	December 2018
FTA Section 5337 Grant Subtotal			\$ 5,261,812	\$ 1,857,054	\$ 3,404,758	
FTA Section 5339 - Buses and Bus Facilities Grant Program						
16	2016	FTA CA-2016-031	\$ 10,591,955	\$ 6,465,169	\$ 4,126,786	June 2017
FTA Section 5339 Grant Subtotal			\$ 10,591,955	\$ 6,465,169	\$ 4,126,786	
Formula Grants Total			\$ 407,004,100	\$ 340,578,189	\$ 66,425,911	

ATTACHMENT A

Third Quarter Grant Reimbursement Status Report

January through March 2017

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL GRANT AMOUNT	FEDERAL GRANT AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE OUT DATE
FTA Section 5309 - Discretionary Capital Grant Program						
17	2007	CA-04-0078	\$ 7,021,300	\$ 5,380,761	\$ 1,640,539	December 2018
18	2009	CA-04-0122	4,845,999	3,934,803	911,196	December 2020
19	2012	CA-05-0269	6,000,000	812,918	5,187,082	March 2020
FTA Section 5309 Grant Subtotal			\$ 17,867,299	\$ 10,128,482	\$ 7,738,817	
Discretionary Grants Total			\$ 17,867,299	\$ 10,128,482	\$ 7,738,817	
Formula and Discretionary Grants Total			\$ 424,871,399	\$ 350,706,671	\$ 74,164,728	

Funding Source Notes:

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

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

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

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

FTA Section 5339 - Buses and Bus Facilities Grant Program: A new formula-based program dedicated to support capital projects such as the replacement, rehabilitation, and purchase of buses, vans, and related equipment.

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

Third Quarter Grant Reimbursement Status Report
January through March 2017

Other Formula Grant Agreements						
	FISCAL YEAR (FY)	GRANT PROJECT	GRANT AMOUNT	GRANT AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE OUT DATE
Active Transportation Program (ATP)						
1	2017	Orange County Active Transportation Plan (PA/ED)	\$ 280,000	\$ 0	\$ 280,000	April 2019
ATP Subtotal			\$ 280,000	\$ 0	\$ 280,000	
State Transportation Improvement Plan (STIP) Programming, Planning & Monitoring (PPM)						
2	2015	PPM Program	\$ 1,445,000	\$ 218,361	\$ 1,226,639	December 2017
3	2016	PPM Program	831,000	0	831,000	December 2018
4	2017	PPM Program	1,899,000	0	1,899,000	December 2019
STIP PPM Subtotal			\$ 4,175,000	\$ 218,361	\$ 3,956,639	
State Proposition 1B: Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)						
5	2015	Fullerton Transportation Center Elevator Project (Construction)	\$ 500,000	\$ 0	\$ 500,000	August 2020
6	2015	Raymond Ave Grade Separation Project (Construction)	43,008,102	24,365,703	18,642,399	August 2020
PROP 1B PTMISEA Subtotal			\$ 43,508,102	\$ 24,365,703	\$ 19,142,399	
State Proposition 1B California Transit Security Grant Program (CTSGP): Transit System Safety, Security & Disaster Response Account (TSSSDRA)						
7	2012	Video Surveillance System Upgrades (PA/ED)	\$ 100,000	\$ 84,342	\$ 15,658	December 2017
8	2014	State College Blvd Grade Separation (Construction)	1,506,069	0	1,506,069	December 2017
PROP 1B TSSSDRA Subtotal			\$ 1,606,069	\$ 84,342	\$ 1,521,727	
State Proposition 1B: Trade Corridor Improvement Fund (TCIF)						
9	2011	Kraemer Blvd Grade Separation (Construction)	\$ 15,513,000	\$ 14,632,720	\$ 880,280	June 2017
10	2011	Placentia Ave Grade Separation (Construction)	9,550,000	9,299,039	250,961	June 2017
11	2012	Orangethorpe Ave Grade Separation (Construction)	41,632,000	24,080,768	17,551,232	June 2019
12	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	30,862,000	18,245,598	12,616,402	July 2019
13	2013	Lakeview Ave Grade Separation (Construction)	27,628,157	11,721,158	15,906,999	June 2019
PROP 1B TCIF Subtotal			\$ 125,185,157	\$ 77,979,283	\$ 47,205,874	
State Proposition 1B: Highway-Railroad Crossing Safety Account (HRCSA)						
14	2010	Sand Canyon Ave Grade Separation (Construction)	\$ 6,618,000	\$ 6,457,051	\$ 160,949	June 2017
PROP 1B HRCSA Subtotal			\$ 6,618,000	\$ 6,457,051	\$ 160,949	

ATTACHMENT B

Third Quarter Grant Reimbursement Status Report
January through March 2017

Other Formula Grant Agreements						
State Proposition 1B: State-Local Partnership Program (SLPP)						
15	2012	Bristol St. Widening - 3rd St. to Civic Ctr. (Construction)	\$ 3,120,000	\$ 1,873,586	\$ 1,246,414	June 2017
16	2013	Brookhurst St Improvements, Ball to Katella (Construction)	3,393,000	1,246,233	2,146,767	June 2018
17	2013	Cow Camp Road - Segment 1 (Construction)	4,160,000	3,914,374	245,626	June 2018
18	2013	Harbor Blvd and Adams St. Improvements (Construction)	1,482,000	1,387,168	94,832	June 2018
19	2013	La Pata Ave. Phase 1 (Construction)	5,110,000	994,059	4,115,941	June 2018
PROP 1B SLPP Subtotal			\$ 17,265,000	\$ 9,415,420	\$ 7,849,580	
State Proposition 116: Clean Air and Transportation Improvement Act Bond Funds						
20	2010	Sand Canyon Ave Grade Separation (Construction)	\$ 21,574,222	\$ 21,324,663	\$ 249,559	June 2017
PROP 116 Subtotal			\$ 21,574,222	\$ 21,324,663	\$ 249,559	
Federal Highway Administration Grant Program - Congestion Mitigation & Air Quality (CMAQ)						
21	2010	Orangethorpe Ave Grade Separation (ROW)	\$ 27,504,000	\$ 23,588,900	\$ 3,915,100	June 2019
* 22	2011	Lakeview Ave Grade Separation (ROW)	6,532,000	6,532,000	0	June 2019
23	2012	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (PS&E)	4,246,000	3,371,787	874,213	June 2019
24	2012	I-5 HOV Segment 2, Vista Hermosa to PCH (PS&E)	3,687,000	2,000,843	1,686,157	June 2019
25	2012	I-5 HOV Segment 3, PCH to San Juan Creek Rd (PS&E)	2,067,000	1,522,143	544,857	June 2019
26	2012	Lakeview Ave Grade Separation (ROW Utility Relocation)	3,135,862	60,901	3,074,961	June 2019
27	2013	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (ROW)	8,000,000	4,009,067	3,990,933	June 2019
28	2015	I-5 from the Orange/San Diego County Line to Avenida Pico (PA/ED)	450,000	50,891	399,109	June 2020
29	2015	I-5, SR-55 to SR-57 (PS&E)	2,800,000	1,590,545	1,209,455	June 2020
CMAQ Subtotal			\$ 58,421,862	\$ 42,727,077	\$ 15,694,785	

Third Quarter Grant Reimbursement Status Report
January through March 2017

Other Formula Grant Agreements						
Federal Highway Administration Grant Program - Regional Surface Transportation Program (RSTP)						
30	2010	Sand Canyon Ave Grade Separation (Construction)	\$ 8,665,741	\$ 8,422,209	\$ 243,532	June 2017
31	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW Utility Relocation)	2,254,000	0	2,254,000	July 2019
32	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW)	21,494,000	19,594,689	1,899,311	July 2019
* 33	2012	Lakeview Ave Grade Separation (ROW)	11,527,563	11,527,563	0	June 2019
34	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	8,700,440	7,263,024	1,437,416	July 2019
35	2013	I-5, I-405 to SR-55 (PA/ED)	8,000,000	2,703,577	5,296,423	June 2018
36	2014	I-5 Segment 2, Oso Pkwy to Alicia Pkwy (PS&E)	10,000,000	8,640,472	1,359,528	June 2019
37	2015	I-405, I-5 to SR-55 (PA/ED)	8,000,000	3,795,173	4,204,827	June 2020
38	2015	I-5 Segment 1, SR-73 to Oso Pkwy (PS&E)	9,101,000	5,433,327	3,667,673	June 2020
39	2015	I-5 Segment 3, Alicia Pkwy to El Toro Rd (PS&E)	8,044,000	4,239,722	3,804,278	June 2020
40	2015	SR-91, SR-57 to SR-55 (PA/ED)	7,000,000	1,159,103	5,840,897	June 2020
41	2016	SR-57, Orangewood to Katella Ave (PA/ED)	2,500,000	33,164	2,466,836	June 2021
42	2017	SR-55, I-5 to SR-91 (PS&E)	5,000,000	0	5,000,000	June 2022
RSTP Subtotal			\$ 110,286,744	\$ 72,812,023	\$ 37,474,721	
Federal Highway Administration Grant Program - Traffic Congestion Relief Program (TCRP)						
43	2011	Kraemer Blvd Grade Separation (Construction)	\$ 1,462,000	\$ 0	\$ 1,462,000	June 2017
TCRP Subtotal			\$ 1,462,000	\$ 0	\$ 1,462,000	
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Demonstration Funds						
44	2009	I-405, SR-73 to I-605 (PS&E)	\$ 439,371	\$ 429,111	\$ 10,260	December 2017
45	2012	Orangethorpe Ave Grade Separation (Construction)	18,600,000	14,696,659	3,903,341	June 2019
46	2013	I-405, SR-73 to I-605 (PS&E)	8,421,393	5,021,816	3,399,577	December 2017
SAFETEA-LU Demo Subtotal			\$ 27,460,764	\$ 20,147,586	\$ 7,313,178	
SAFETEA-LU: Projects of National and Regional Significance (PNRS)						
47	2013	Lakeview Ave Grade Separation (Construction)	\$ 9,709,030	\$ 4,612,469	\$ 5,096,561	June 2019
SAFETEA-LU-PNRS Subtotal			\$ 9,709,030	\$ 4,612,469	\$ 5,096,561	
Total Other Formula			\$ 427,551,950	\$ 280,143,978	\$ 147,407,972	

Footnotes:

Row No. 22 This grant remains active as the ROW phase for this project is pending closeout with Caltrans.

Row No. 33 This grant remains active as the ROW phase for this project is pending closeout with Caltrans.

Third Quarter Grant Reimbursement Status Report
January through March 2017

Other Discretionary Grant Agreements						
	FISCAL YEAR (FY)	GRANT PROJECT	GRANT AMOUNT	GRANT AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE OUT DATE
Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC) / Transportation Control Measure Partners						
* 1	2014	Signal Synchronization (PA/ED)	\$ 1,250,000	\$ 1,250,000	\$ 0	April 2017
2	2015	Mobile Ticketing (PA/ED)	1,553,657	0	1,553,657	January 2018
MSRC Subtotal			\$ 2,803,657	\$ 1,250,000	\$ 1,553,657	
Transit Security Grant Program (TSGP) - State Office of Homeland Security						
3	2015	Update OCTA's Security and Emergency Plans (PA/ED)	\$ 100,000	\$ 0	\$ 100,000	August 2018
4	2015	VIPR and Counter Terrorism Team Operations (PA/ED)	115,500	86,764	28,736	August 2018
5	2015	Vulnerability Assessment of OCTA's Industrial Control and Communications	300,000	0	300,000	August 2018
6	2016	Update OCTA's Security and Emergency Plans (PA/ED)	70,000	0	70,000	August 2019
7	2016	VIPR and Counter Terrorism Team Operations (PA/ED)	70,000	0	70,000	August 2019
TSGP Subtotal			\$ 655,500	\$ 86,764	\$ 568,736	
Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)						
8	2016	Fare Discount - Fixed Route (PA/ED)	\$ 3,588,424	\$ 532,110	\$ 3,056,314	June 2019
CAP & TRADE LCTOP Subtotal			\$ 3,588,424	\$ 532,110	\$ 3,056,314	
Highway Safety Plan (HSP) - California Office of Traffic Safety (OTS)						
9	2017	Active Transportation Video Series (PA/ED)	\$ 50,000	\$ 0	\$ 50,000	September 2017
OTS Subtotal			\$ 50,000	\$ 0	\$ 50,000	
State Highway Account - Sustainable Communities						
10	2017	Active Transportation Count (PA/ED)	\$ 177,000	\$ 0	\$ 177,000	February 2019
SHA-SC Subtotal			\$ 177,000	\$ 0	\$ 177,000	
Total Other Discretionary			\$ 7,274,581	\$ 1,868,874	\$ 5,405,707	

Footnotes:

Row No. 1 This grant remains active as OCTA is pending final payment from MSRC.

Third Quarter Grant Reimbursement Status Report
January through March 2017

Closed Grant Agreements						
	FISCAL YEAR (FY)	FUNDING SOURCE	GRANT PROJECT	GRANT AMOUNT	GRANT AMOUNT REIMBURSED	REMAINING BALANCE
1	2015	CAP & TRADE LCTOP	Fare Discount - Summer Youth (PA/ED)	\$ 1,346,536	\$ 1,346,536	\$ 0
2	2012	CMAQ	FTA CA-95-X213	6,000,000	6,000,000	0
3	2016	FTA Section 5310	FTA CA-2016-151	4,011,574	4,011,574	0
4	2016	MSRC	Angels Express Bus Service from Goldenwest Terminal (PA/ED)	128,500	128,500	0
5	2012	PROP 1B PTMISEA	Placentia Ave Grade Separation (Construction)	12,000,000	12,000,000	0
6	2012	PROP 1B PTMISEA	Raymond Ave Grade Separation Project (ROW)	25,172,000	25,172,000	0
7	2013	PROP 1B TSSSDRA	Raymond Ave Grade Separation Project (Construction)	1,680,495	1,680,495	0
* 8	2012	RSTP	FTA CA-95-X188	29,198,000	29,197,997	3
Total Closed Grants				\$ 79,537,105	\$ 79,537,102	\$ 3

Footnotes:

Row No. 8 The remaining balance is a result of rounding and has been deobligated.



June 28, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report

Overview

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

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Approximately \$2.9 million on an annual basis will be deposited in the endowment. On February 28, 2017, Orange County Transportation Authority (OCTA) wired \$2,877,000 to CCF to be deposited in the Endowment Pool. These annual deposits are expected to continue for ten to 12 years or until the fund totals approximately \$46.2 million.

Discussion

As of March 31, 2017, total pool assets in the CCF Endowment Pool were \$912.8 million. Total foundation assets were \$1.66 billion. Performance for the Endowment Pool was 0.8 percent for the month, exceeding the benchmark by 0.2 percent; 4.9 percent for the quarter, exceeding the customized benchmark by 1.3 percent. The one year return was 13.2 percent, exceeding the benchmark by 3.1 percent.

Summary

The OCTA is submitting a copy of the CCF Investment Report to the Finance and Administration Committee. The report is for the quarter ending March 31, 2017.

Attachments

- A. California Community Fund Statement - March 31, 2017
- B. California Community Fund Endowment Pool Investments – March 2017

Prepared by:



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

Approved by:



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



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

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

1/1/2017 - 3/31/2017

Fund Summary

	This Period 01/01/2017 - 03/31/2017	Calendar YTD 1/1/2017 - 3/31/2017
Opening Fund Balance	\$0.00	\$0.00
Contributions (see attached detail)	2,877,000.00	2,877,000.00
Investment Activity, net	22,059.23	22,059.23
Net Changes to Fund	2,899,059.23	2,899,059.23
Ending Balance	\$2,899,059.23	\$2,899,059.23

Investment Pool Performance as of 03/31/2017

	This Qtr.	1 - Year	3 - Years	5 - Years	10 - Years
Endowment Pool	4.9%	13.2%	3.5%	6.1%	4.4%
Social Impact Endowment Pool	3.6%	9.0%	5.2%	6.7%	4.4%
Conservative Balanced Pool	2.1%	5.5%	3.9%	n/a	n/a
Short Duration Bond Pool	0.5%	0.5%	n/a	n/a	n/a
Capital Preservation Pool	0.1%	0.4%	0.2%	0.2%	1.1%

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

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

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

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

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

Contribution Details

Date	Donor Name	Amount
03/01/2017	Orange County Transportation Authority	2,877,000.00
		\$2,877,000.00

Definition of Terms

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

Contributions - Irrevocable financial additions to your fund.

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

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

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

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

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

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

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

Meet Our Team

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Endowment Pool

March 2017

INVESTMENTS

The Endowment Pool returned 0.8% for the month of March 2017, 20 basis points ahead of its benchmark. For the trailing year, the pool returned 13.2%, 310 basis points ahead of its benchmark.

Total Pool Assets

\$912.80 million (Endowment Pool), \$1.66 billion (total foundation assets) as of March 31, 2017.

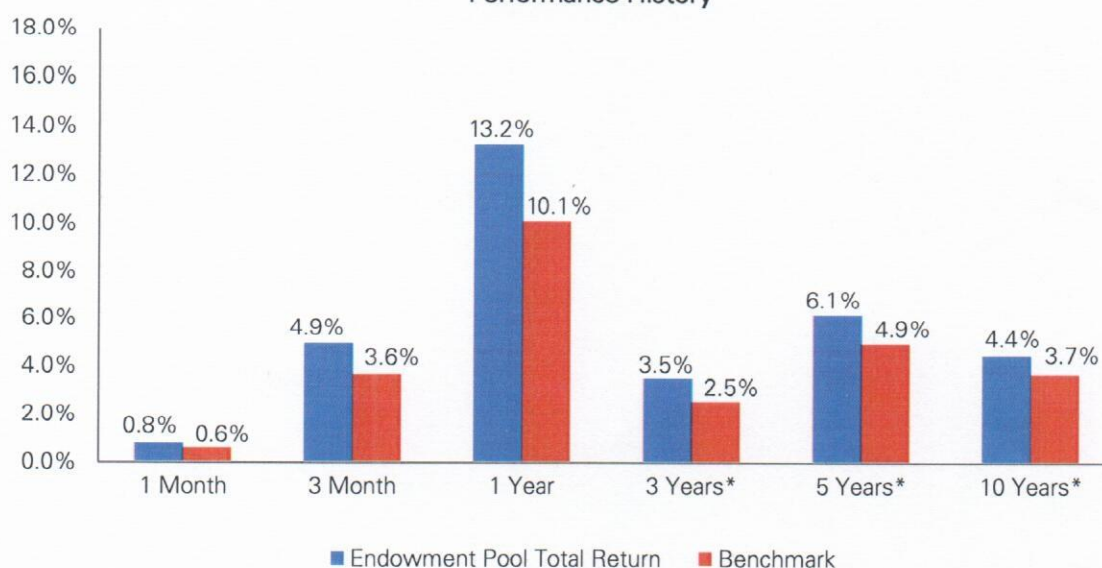
Pool Objective

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

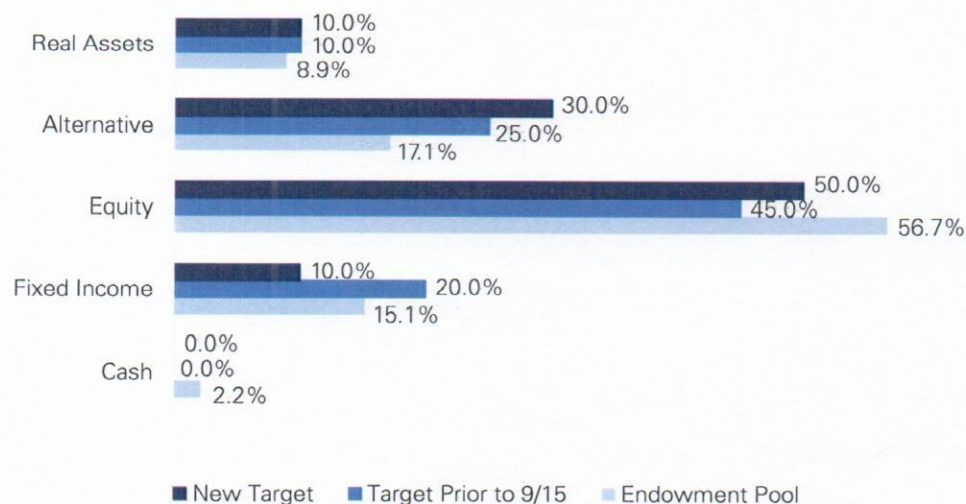
Investment Consultant

Meketa Investment Group

Performance History



Asset Allocation



*Represents annualized returns.

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

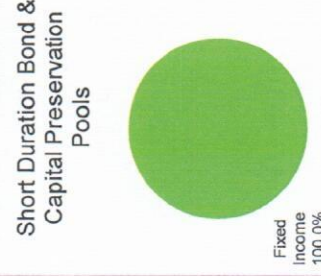
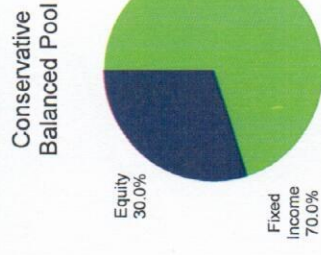
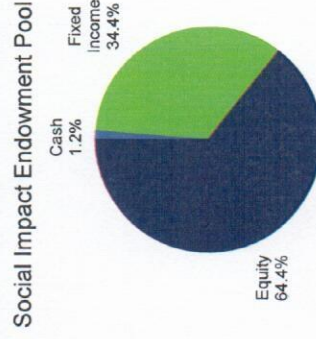
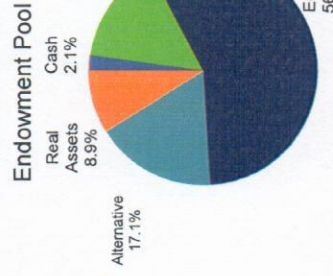
2) Total Fund Benchmark is a combination of: 45% MSCI ACWI / 25% HFR FOF Index / 10% Custom Asset Wtd. Inflation Hedge Benchmark / 10% BC Interm Gov't. / 5% BC Agg / 5% Citi Non-US\$ GBI.

Updated 04/24/2017

Performance History	1 Month	3 Month	1 Year	3 Years*	5 Years*	10 Years*
Endowment Pool Total Return Benchmark	0.8%	4.9%	13.2%	3.5%	6.1%	4.4%
Social Impact Endowment Pool Total Return¹ Benchmark	0.6%	3.6%	10.1%	2.5%	4.9%	3.7%
Conservative Balanced Pool Total Return Benchmark	N/A	3.6%	9.0%	5.2%	6.7%	4.4%
Short Duration Bond Pool Total Return² Benchmark	N/A	4.0%	10.3%	7.4%	9.0%	5.9%
Capital Preservation Pool Total Return Benchmark	0.1%	2.1%	5.5%	3.9%	NA	NA
	0.1%	2.0%	5.4%	3.9%	NA	NA
	0.1%	0.5%	0.5%	NA	NA	NA
	0.1%	0.6%	0.5%	NA	NA	NA
	0.0%	0.1%	0.4%	0.2%	0.2%	1.1%
	0.0%	0.1%	0.3%	0.1%	0.1%	0.6%

*Annualized returns ¹Returns assessed quarterly ²July 1, 2014 inception date

Asset Allocation



Investment Managers

Endowment Pool

- Diversified Portfolio with 41 Managers as of 3/31/2017

Social Impact Endowment Pool

- PAX World Balanced (PAXIX)

Conservative Balanced Pool

- U.S. Equity: Vanguard Total Stock Market Index (VTSAX)
- Fixed Income: Vanguard Short-Term Bond Index (VBITX)

Short Duration Bond Pool

- Vanguard Short-Term Bond Index (VBITX)

Capital Preservation Pool

- City National Bank
- Broadway Federal Bank
- ProAmerica Bank

Environmental Mitigation Program Endowment Fund Investment Report

Measure M - EMP

- The EMP provides the allocation of 5 percent of Measure M (M) Freeway revenues to environmental impacts resulting from freeway improvement projects
- Currently EMP has acquired 7 properties totaling 1,300 acres along with 11 habitat restoration projects
- Wildlife agencies require an endowment be established to pay for long-term management preserves
 - California Community Foundation was chosen by the Board to provide endowment and investment related services during funding period

EMP = Environmental Mitigation Program

CCF Endowment Pool

- Funding goal is \$46.2 million during 10-12 year period
- Once fully funded, the Board shall determine if endowment will be managed by a single or multiple entities
 - Properties are non-contiguous and will likely be managed by multiple entities that may offer operational or cost efficiencies
- On February 28, 2017, staff wired \$2.9 million to CCF for deposit in the Endowment Pool

CCF = California Community Foundation

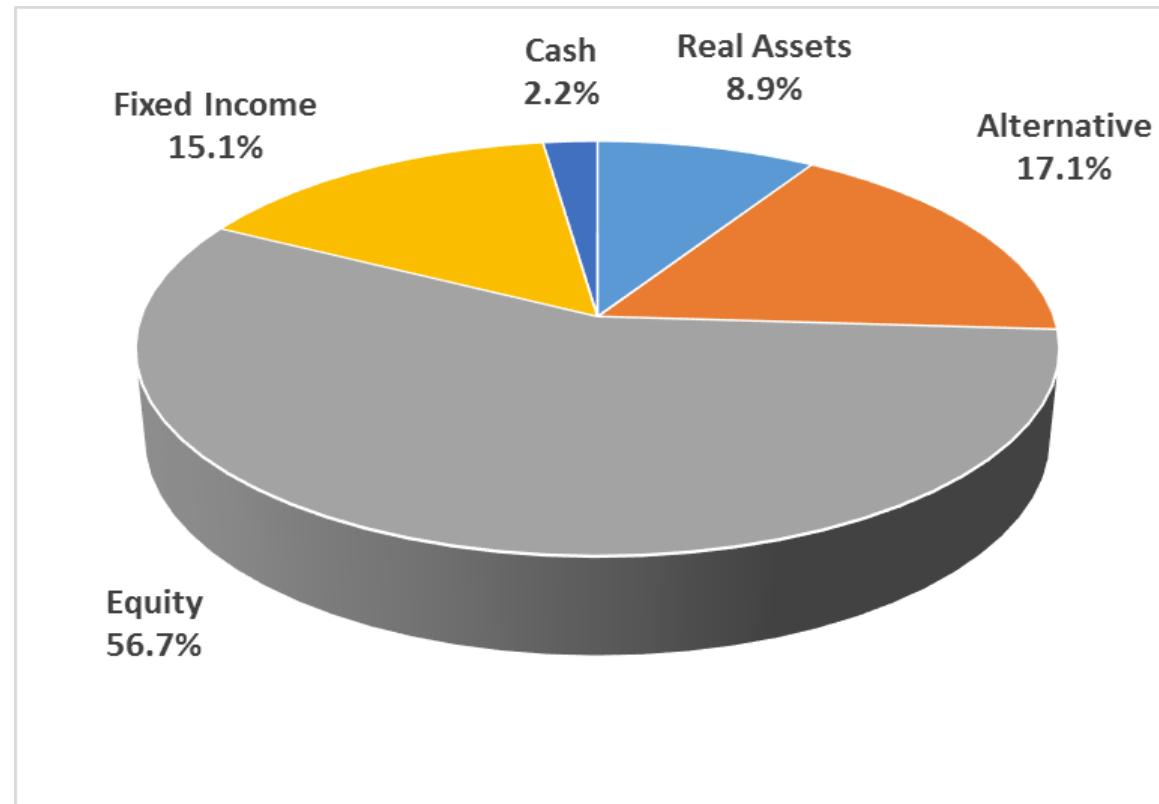
Endowment Pool

- Pool is a broadly diversified institutional investment portfolio
 - CCF Investment Committee has full discretion over assets
 - CCF Staff performs monitoring, due diligence, and reporting
 - Maketa Investment Group provides investment consulting services
 - OCTA staff has working relationship with Maketa

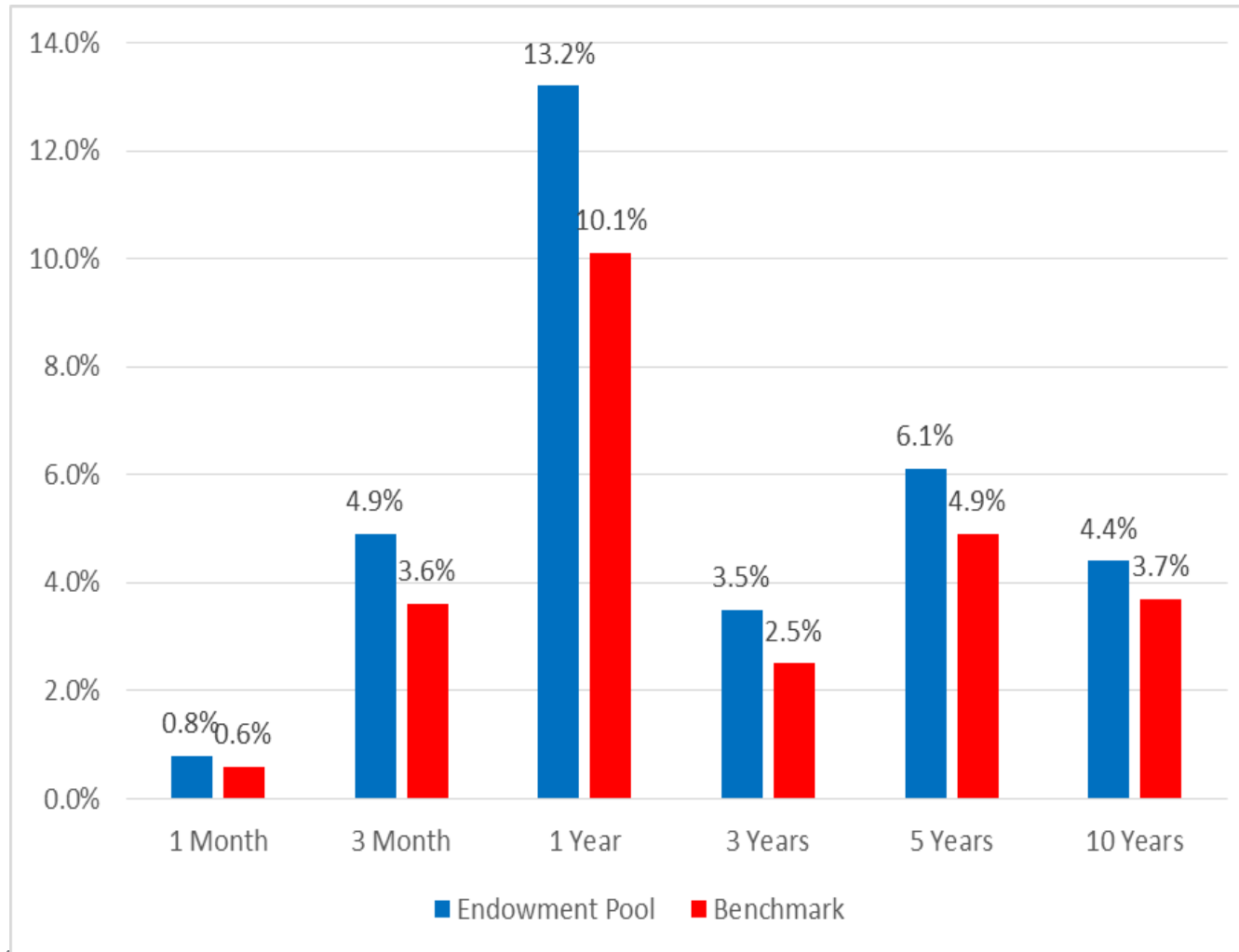
CCF = California Community Foundation

Investments – March 2017

- Pool Objective: Preserve real (inflation adjusted) purchasing power of investments
 - Diversified portfolio with 41 investment managers



Performance History



Next Steps

- Continue annual deposits of approximately \$2.9 million to fund endowment
- Submit investment reports to Finance and Administration Committee and Board of Directors quarterly
- Work with CCF to create long-term financing plan for OCTA review and approval

CCF = California Community Foundation