



AGENDA

Finance and Administration Committee Meeting

Committee Members

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

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

Wednesday, September 12, 2018 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 Jones

1. Public Comments

Special Calendar

2. Investment Management Presentation

Jennifer Matano/Andrew Oftelie

Orange County Transportation Authority contracts with four investment management firms to actively manage the short-term investment portfolio. Scott Pavlak and Wendy Kaszak from Logan Circle Partners will present an introduction to their firm and provide commentary on economic trends and the fixed-income market.



Consent Calendar (Items 3 through 14)

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 of July 25, 2018.

4. Audit of State Transportation Improvement Program Planning, Programming and Monitoring Program, Program Fiscal Year 2015-2016
Serena Ng/Janet Sutter

Overview

As required by agreement with the California Department of Transportation, an independent audit of the State Transportation Improvement Program Planning, Programming and Monitoring Program project has been completed by the professional accounting firm of BCA Watson Rice LLP. The audit found that project funds were used in conformance with Article XIX of the California State Constitution.

Recommendation

Receive and file as an information item.

5. Warranty Administration, Internal Audit Report No. 18-510
Gerald Dunning/Janet Sutter

Overview

The Internal Audit Department has completed an audit of warranty administration. Based on the audit, controls over identification, processing, and reporting of warranty claims are adequate; however, one recommendation is being made to formalize and document procedures used to derive the value of warranty labor.

Recommendation

Direct staff to implement one recommendation provided in Warranty Administration, Internal Audit Report No. 18-510.



6. Local Agency Investment Fund - July 2018

Jennifer Matano/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 July 31, 2018. 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.

7. Orange County Treasurer's Management Report - July 2018

Jennifer Matano/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 July 31, 2018. 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.



8. **Orange County Transportation Authority Investment and Debt Programs Report - July 2018**
Jennifer Matano/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2018. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

9. **Environmental Mitigation Program Endowment Fund Investment Report For June 30, 2018**
Jennifer Matano/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending June 30, 2018. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.



10. Fiscal Year 2017-18 Fourth Quarter Grant Reimbursement Status Report
Sam Kaur/Andrew Oftelie

Overview

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of April through June 2018.

Recommendation

Receive and file as an information item.

11. Excess Liability Insurance Renewal
Al Gorski/Maggie McJilton

Overview

The Orange County Transportation Authority currently has excess liability insurance policies with Insurance Company of the State of Pennsylvania, Great American Insurance Company, and Allied World Assurance Company. These policies will expire on November 1, 2018.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A40995, in the amount of \$800,000, to Marsh Risk and Insurance Services, Inc., to purchase excess liability insurance on behalf of the Orange County Transportation Authority for the policy period of November 1, 2018 to November 1, 2019.

12. Amendment to Agreement for Temporary Staffing Services
Karen DeCrescenzo/Maggie McJilton

Overview

On September 28, 2015, the Orange County Transportation Authority Board of Directors approved an agreement with Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, to provide temporary staffing services for a three-year initial term and two, two-year option terms. An amendment is required to increase the initial term maximum cumulative payment obligation.



12. (Continued)

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3658 between the Orange County Transportation Authority and Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, in the amount of \$83,565. This will increase the maximum obligation of the agreement to a total contract value of \$488,809.

13. Adopt Resolution Reaffirming the Longstanding Policy of Requiring the Use of Transponders on the 91 Express Lanes
Kirk Avila/Kenneth Phipps

Overview

Since its opening in 1995, the 91 Express Lanes has always required the use of transponders linked to properly funded accounts to use the toll road without incurring a penalty. The transponder requirement is reflected in a number of documents, on road signs, and on the 91 Express Lanes website, but was not included in the ordinance establishing the procedures for assessing and collecting toll evasion violation penalties. Although a formal resolution or ordinance is not necessary to establish or document the official policy of the Orange County Transportation Authority, adoption of Resolution No. 2018-121 will help the Orange County Transportation Authority prove, if it ever became necessary, the requirement for the use of FasTrak transponders on the 91 Express Lanes.

Recommendation

Adopt Resolution No. 2018-121 confirming the longstanding policy of requiring the use of transponders on the 91 Express Lanes.



14. Amendment to Grant Management and Programming Database Agreement
Ben Ku/Kia Mortazavi

Overview

On June 11, 2018, as part of the Fiscal Year 2018-19 Budget adoption, the Board of Directors approved sole source procurements for software and hardware licensing, maintenance, and emergency support. A one-year purchase order was issued to EcolInteractive Inc., as part of the approved sole source procurements list to continue services for a web-based software system known as OCFundtracker for the tracking and reporting of Federal Transportation Improvement Program and Combined Transportation Funding Program project data. An amendment to expand the current software system is needed to support the tracking and reporting of the local agencies' capital improvement programs, as well as to continue maintenance services for the existing modules.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Purchase Order A40326 between the Orange County Transportation Authority and EcolInteractive Inc., in the amount of \$27,500, to expand the current OCFundtracker platform to include the Capital Improvement Program module effective October 1, 2018 through August 31, 2019. This will increase the maximum obligation of the agreement to a total purchase order value of \$118,170.

Regular Calendar

15. Update on the Low Carbon Fuel Standard Program
Virginia Abadessa/Andrew Oftelie

Overview

On March 14, 2016, the Orange County Transportation Authority Board of Directors approved the selection of Element Markets Renewable Energy, LLC, as the firm to provide renewable natural gas and consulting services for the management of the Low Carbon Fuel Standard Program. The Low Carbon Fuel Standard Program has been in effect for slightly over two years with very positive results.

Recommendation

Receive and file as an informational item.



16. Fiscal Year 2018-19 Comprehensive Business Plan

Victor Velasquez/Andrew Oftelie

Overview

The Orange County Transportation Authority's Comprehensive Business Plan is a strategic business tool utilized to ensure the financial viability of Orange County Transportation Authority programs and services. The plan assists the Orange County Transportation Authority in implementing its strategic goals and objectives within the framework of sound business practices, and demonstrates the financial feasibility of all programs and services over a 20-year horizon.

Recommendation

Approve the Fiscal Year 2018-19 Comprehensive Business Plan.

Discussion Items

17. Chief Executive Officer's Report

18. Committee Members' Reports

19. Closed Session

There are no Closed Session items scheduled.

20. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, September 26, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

Investment Management Presentation

Logan Circle Partners

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Firm Overview

SECTION II

Market Outlook

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Portfolio Strategy / Positioning



Finance & Administration Committee Meeting

September 12, 2018

Wendy Kaszak – *Associate Director*

Scott Pavlak, CFA – *Managing Director*

Short / Intermediate Duration Team:
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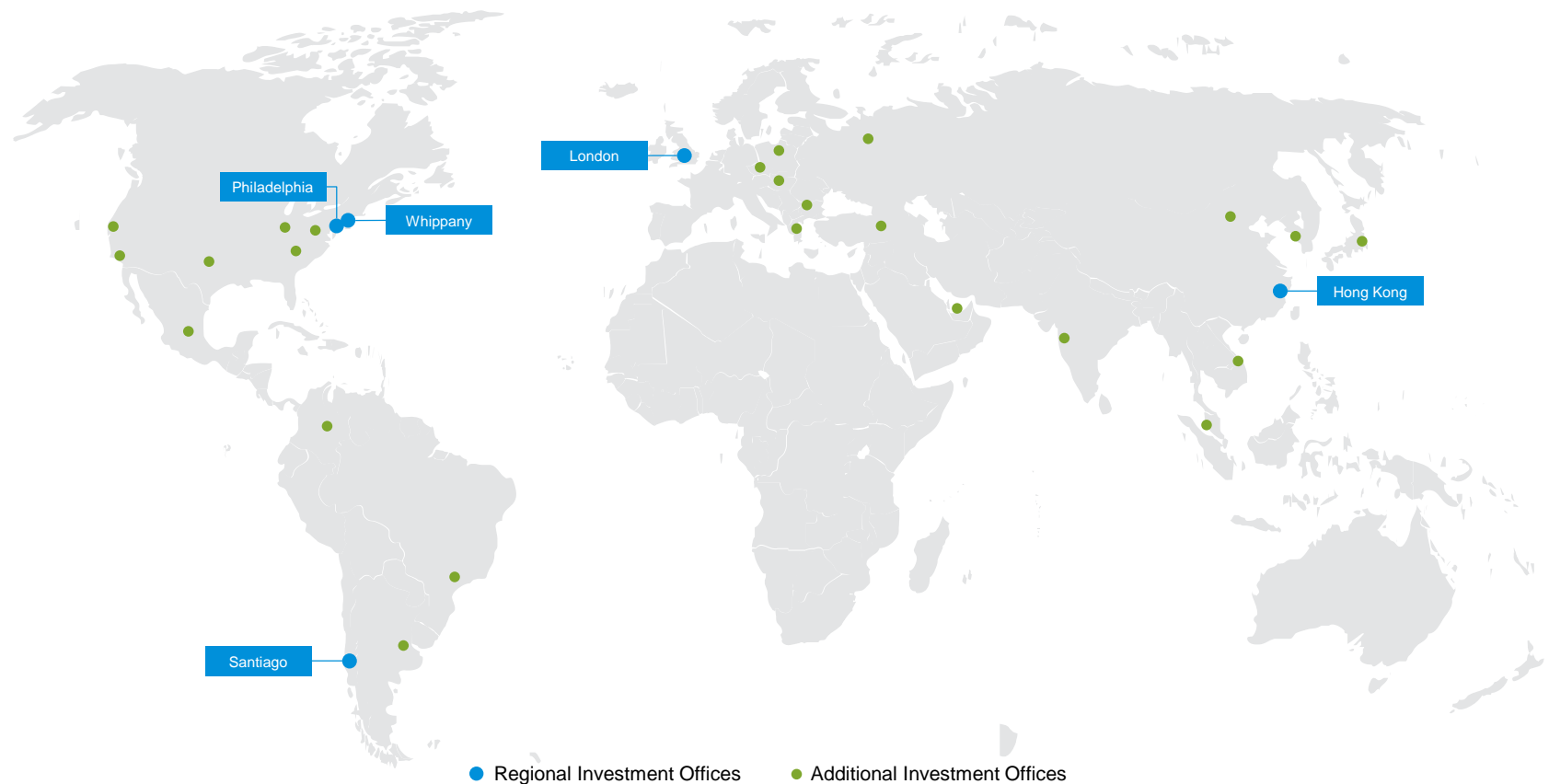
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SECTION I

Firm Overview

FIRM OVERVIEW

- MetLife has 49,000 employees worldwide with offices in more than 40 countries. Logan Circle Partners, L.P. is a MetLife, Inc. company and is part of MetLife Investment Management (“MIM”).
- As of June 30, 2018, Logan Circle had \$38.3 billion¹ in total assets under management.



¹ Based on unaudited estimates and are subject to change. Fee paying assets under management as of 6/30/18.

FIRM OVERVIEW

- Our partnership with OCTA dates back to 1995-2008 when the team was at Bear Stearns Asset Management. We were rehired at Logan Circle Partners in 2011-2015 to manage a Bond Proceeds mandate and again this year to oversee a 1-3 Year portfolio.
- We have a dedicated short duration team with portfolio managers and sub-sector specialists focused exclusively on the front-end of the maturity spectrum.
- The portfolio managers have been working together for over 20+ years and our research resources include 40 analysts (Credit, Municipals, Structured Finance) as well as 19 traders.

Wendy Kaszak
Associate Director, *Client Services*
wkaszak@lcpim.com
(908) 376-0546

Ms. Kaszak joined Logan Circle Partners in 2011 and is a member of the client services team. Prior to joining Logan Circle, she served as a senior project manager and deal administrator within the Mergers & Acquisitions group of BCMS Corporate LLC/BCMS Capital Advisors. From 2000-2007, she worked as a project team member supporting the Fortune 500 clients of Capgemini, a global business consulting corporation. Ms. Kaszak received a Bachelor of Arts with a major in Sociology/Anthropology from Denison University and an International Masters of Business Administration from the University of San Diego.

Scott Pavlak, CFA
Managing Director, *Portfolio Management*
spavlak@lcpim.com
(908) 376-0553

Mr. Pavlak is a portfolio manager and the head of the short/intermediate duration team. Prior to joining Logan Circle Partners in 2008, he was a Senior Managing Director and head of fixed income at Bear Stearns Asset Management. He joined Bear Stearns & Co. in 1990 and BSAM in 1992, where he was responsible for BSAM's traditional strategies that included Cash, Enhanced Cash, Short-Term, Intermediate, Core and Core Plus. Prior to joining Bear Stearns, he was a Vice President and senior investment officer at Beechwood Securities. Mr. Pavlak received a Bachelor of Science degree in finance from Fairleigh Dickinson University, earned a Masters of Business Administration in finance and economics from the Stern School of Business at New York University. He holds the FINRA Series 7 (Registered Representative) license and is a CFA® charterholder.

SECTION II

Market Outlook

CURRENT THEMES

■ GDP

Global growth diverges with the U.S. benefitting from tax reform-driven strength in consumer and business spending. Narrowing of the U.S. trade deficit occurring, despite dollar strength, as companies increase exports ahead of anticipated tariff implementation. These factors, combined with a pickup in government spending, will elevate 2Q GDP above our expected average 2018 real growth rate of 3%. A full-fledged trade war would dent consumer and business confidence and temper investment spending plans, which would be a drag on second-half GDP growth.

■ Consumer

Consumer confidence remains elevated, especially the present situation component, despite higher interest rates and financial market volatility. Year-over-year personal income continues to accelerate, offering encouragement that weak early 2018 retail sales data was transitory. Continued low savings rate, currently at 3.2%, represents further evidence of consumer optimism. Early signs of deterioration of consumer health such as rising credit card delinquencies and tightened bank lending standards (credit cards, autos) bear watching.

■ Business

Improved corporate fundamentals spurred by the new tax law, solid revenue growth and lighter regulatory burden. Tax reform has boosted business confidence indicators and spending plans and led to reduced corporate issuance activity, which should result in lower leverage metrics over the long run. A late-cycle spike in M&A activity, likely concentrated in several non-financial subsectors, would partially offset the drop in new issue volume. Potential for adverse outcomes arising from the evolving trade and tariff actions supports our preference for U.S.-centric issuers. Margin pressures from increased unit labor costs could slow second-half profit growth.

■ Employment

Labor markets remain tight with the number of job openings exceeding job seekers for the first time which should translate into higher wages given the shallow pool of qualified workers. The seasonally-adjusted U.S. Quits Rate reaches a 17-year high, indicative of employee confidence in finding another job, a further sign of labor market strength. Pace of average weekly earnings growth for non-supervisory and production workers at highest levels since 2010. Upward movement in the labor force participation rate would be a positive, although it would ease the decline in the unemployment rate.

■ Inflation

Recent firming in producer and consumer price data coupled with growth in wages point to gradual upward trend of U.S. inflation. Pressure building on several fronts including labor shortages and tariff induced price increases on imported goods. Decline in durable goods prices continues to be offset by the rise in service inflation. Year-over-year Core PCE has reached the Fed's 2% target. Base effects continue to provide a tailwind from the roll-off of lower wireless rate plan and physician's services components. In addition, higher public payer rates for physicians and hospital reimbursements will further underpin inflationary dynamics.

■ U.S. Monetary & Fiscal Policy

Despite the Federal Reserve dot plot being adjusted at the June FOMC meeting to four interest rate increases this year as one participant shifted his or her view, the market continues to fully price in only three hikes in 2018. However, recent inflation data should make the Fed more comfortable continuing their gradual path of policy rate increases. Less accommodative U.S. monetary policy combined with stimulative fiscal policy remains positive for U.S. dollar with offshore flows/repatriation helping to strengthen the currency.

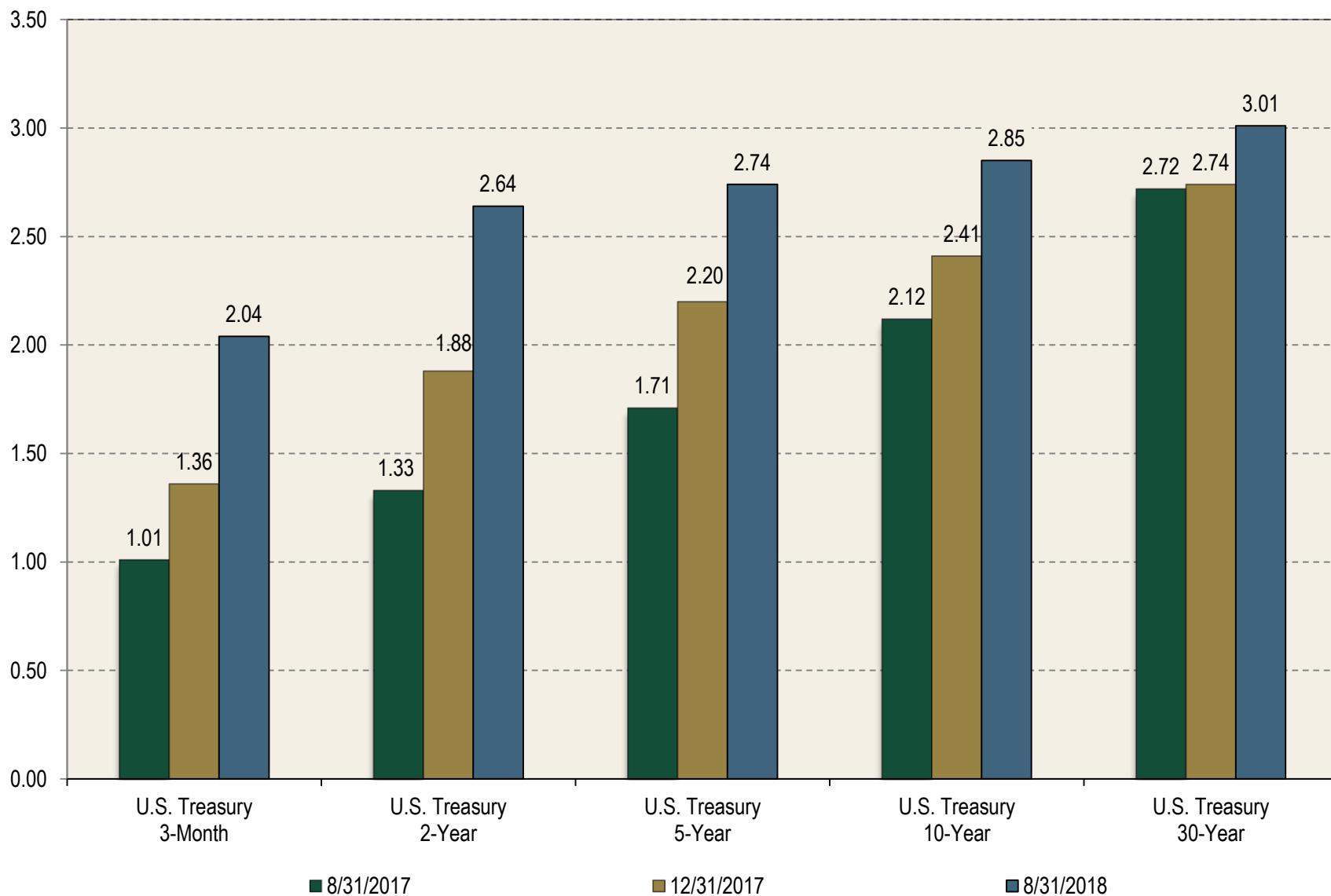
■ Residential / Commercial Real Estate

Single-family inventory remains below long-term average. Rising interest rates and recent tax law changes will weigh on affordability, particularly for first-time home buyers. This will create headwinds for existing home sales, particularly within regions with high state and local property taxes as their deductibility is capped under the new tax law. Despite the challenges, lower priced housing should benefit from increasing household formation among millennials and outperform higher-end properties. For commercial real estate, retail properties face headwinds from long-term secular changes in demographics and spending patterns. Rising supply should temper the pace of rent growth and raise vacancy rates for office, hotel and multi-family properties.

■ Central Banks / International

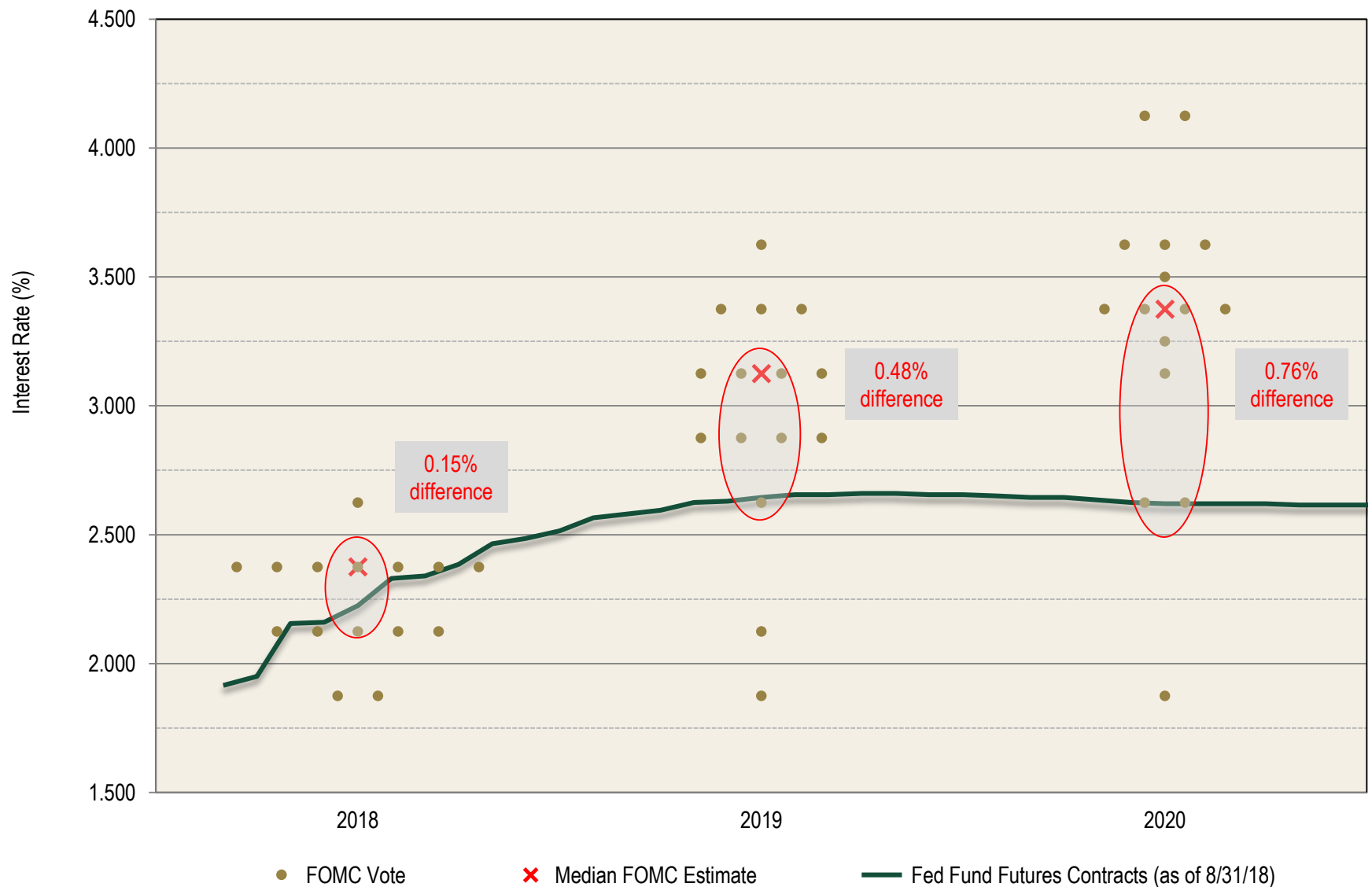
ECB's Draghi orchestrates "dovish tightening" by laying out plan to wind down QE by year-end 2018 while pushing out expected timeframe on initial rate hike into summer 2019 at the earliest and raising the possibility that the ECB may reengage on QE should conditions warrant. Challenges in Europe mount as shifting political landscape faces stress from migration. Further U.S. dollar strength could intensify pressures on emerging markets with the potential for increased market volatility and capital flight, particularly for those economies with large amounts of USD-denominated debt. China undertaking measures to support economic growth as trade uncertainties rise and international growth diverges.

U.S. TREASURY YIELDS (%) – as of August 31, 2018



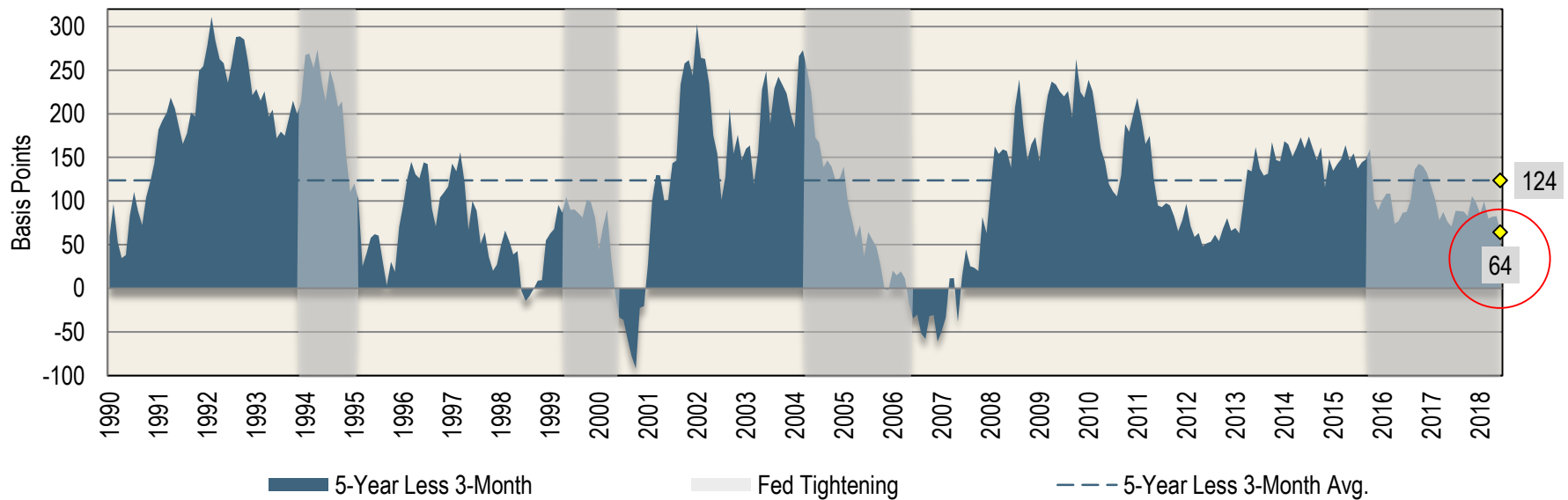
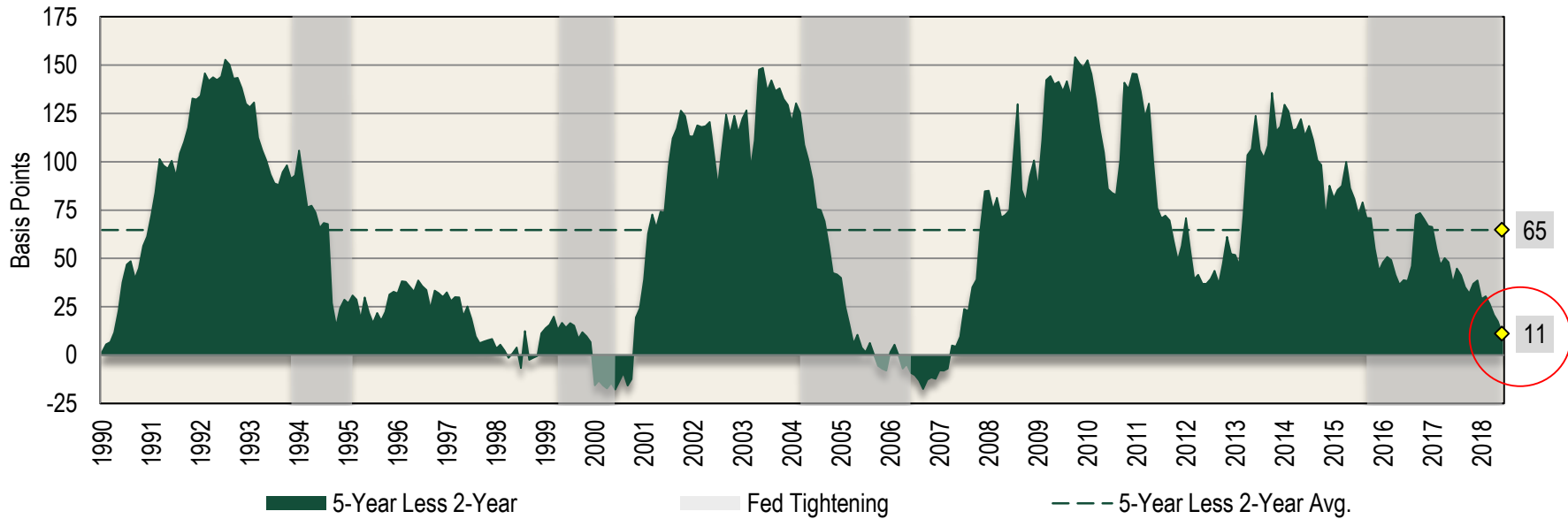
Source: Bank of America Merrill Lynch

FEDERAL RESERVE – as of August 31, 2018



Source: Federal Reserve, Bloomberg

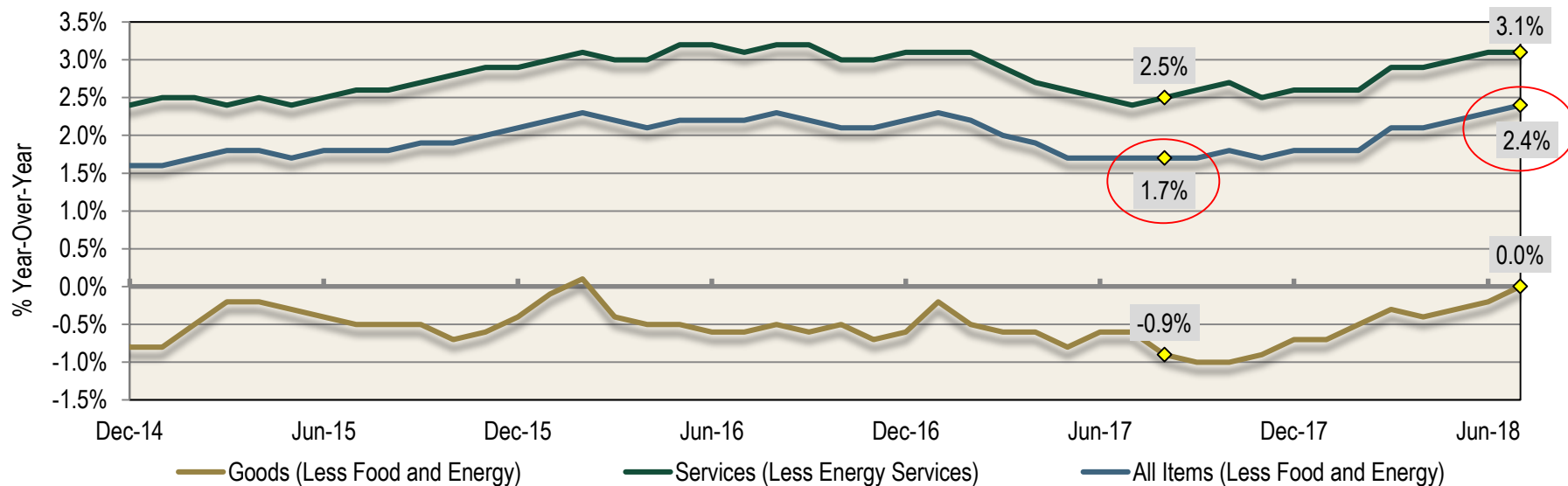
YIELD CURVES – as of August 31, 2018



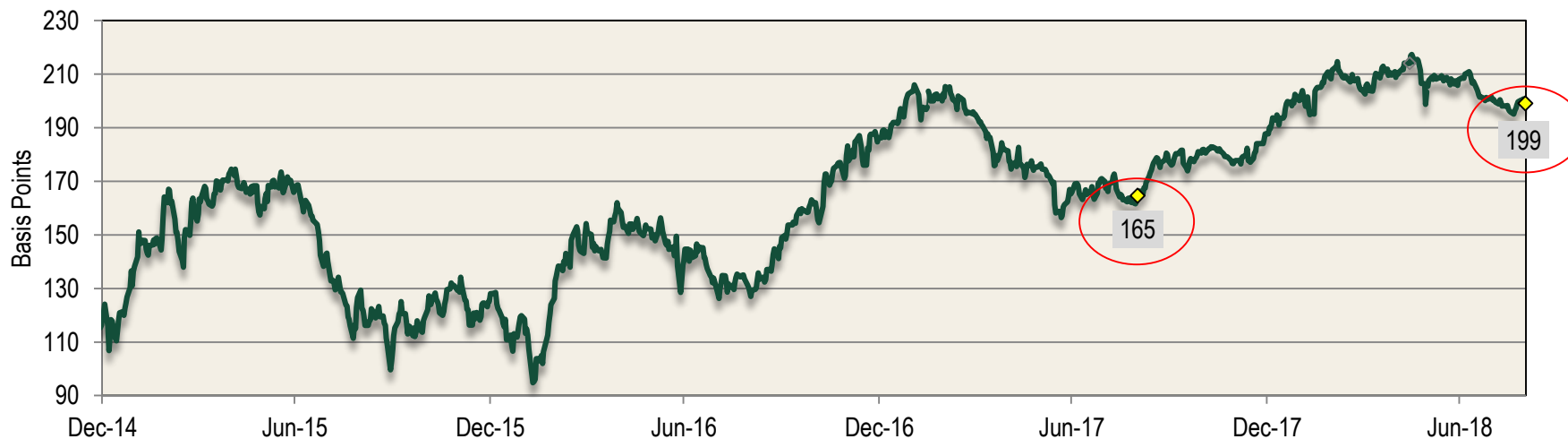
Source: Bloomberg

U.S. INFLATION – as of August 31, 2018

CPI Core Breakdown



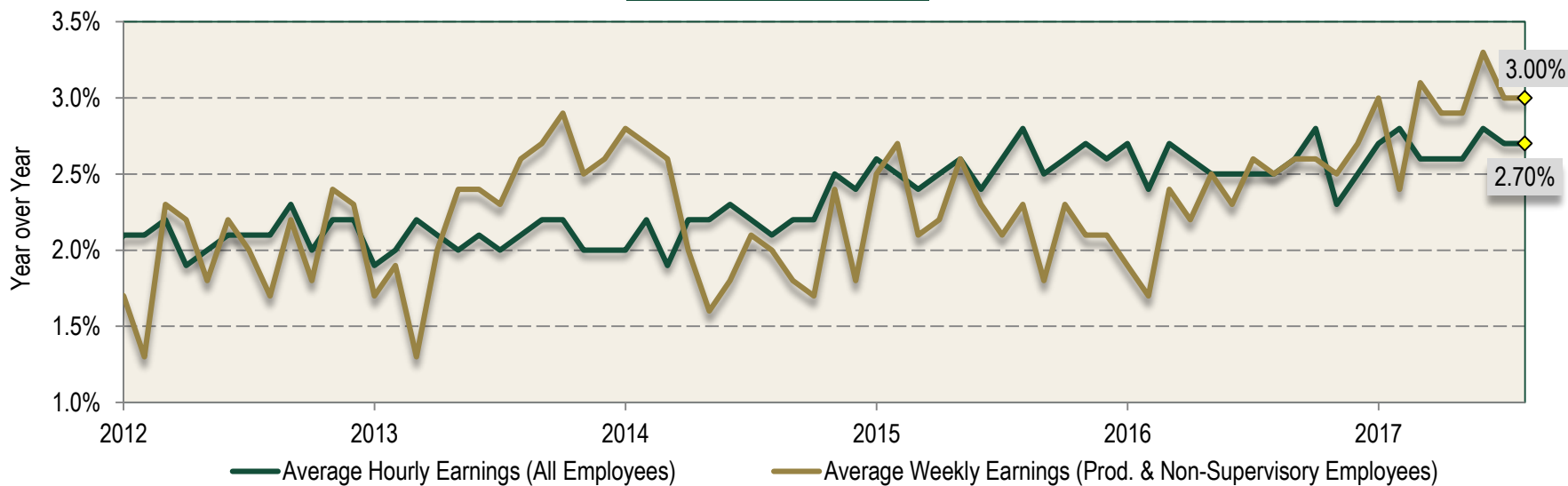
5-Year TIPS Breakeven Rate



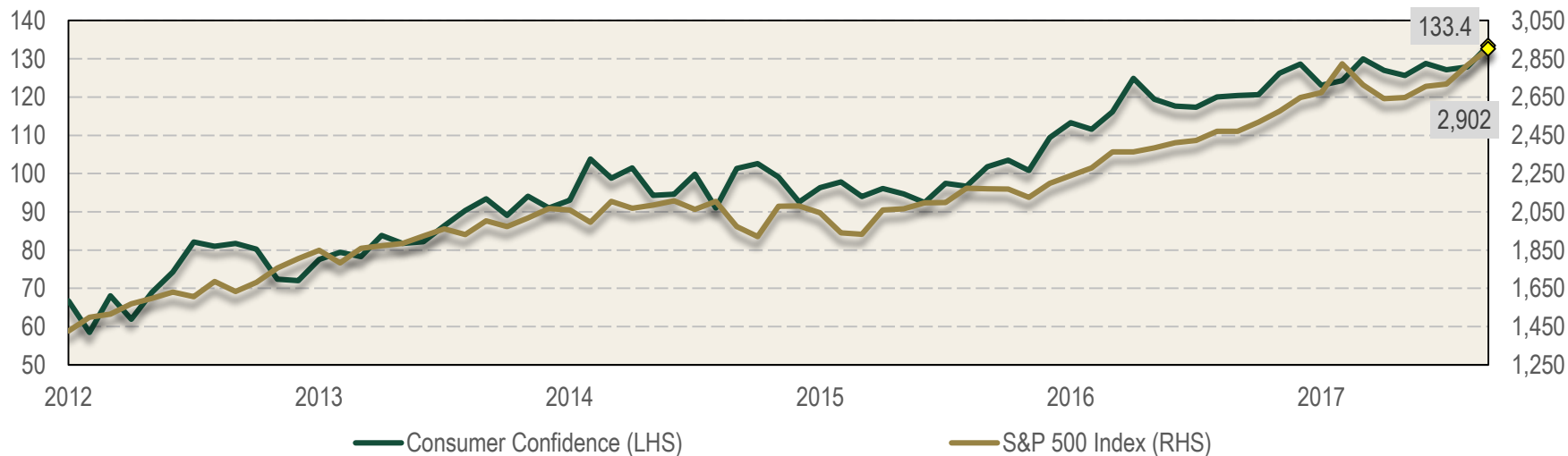
Source: Bureau of Labor Statistics, Bloomberg

U.S. EARNINGS & THE CONSUMER – as of August 31, 2018

U.S. Average Earnings

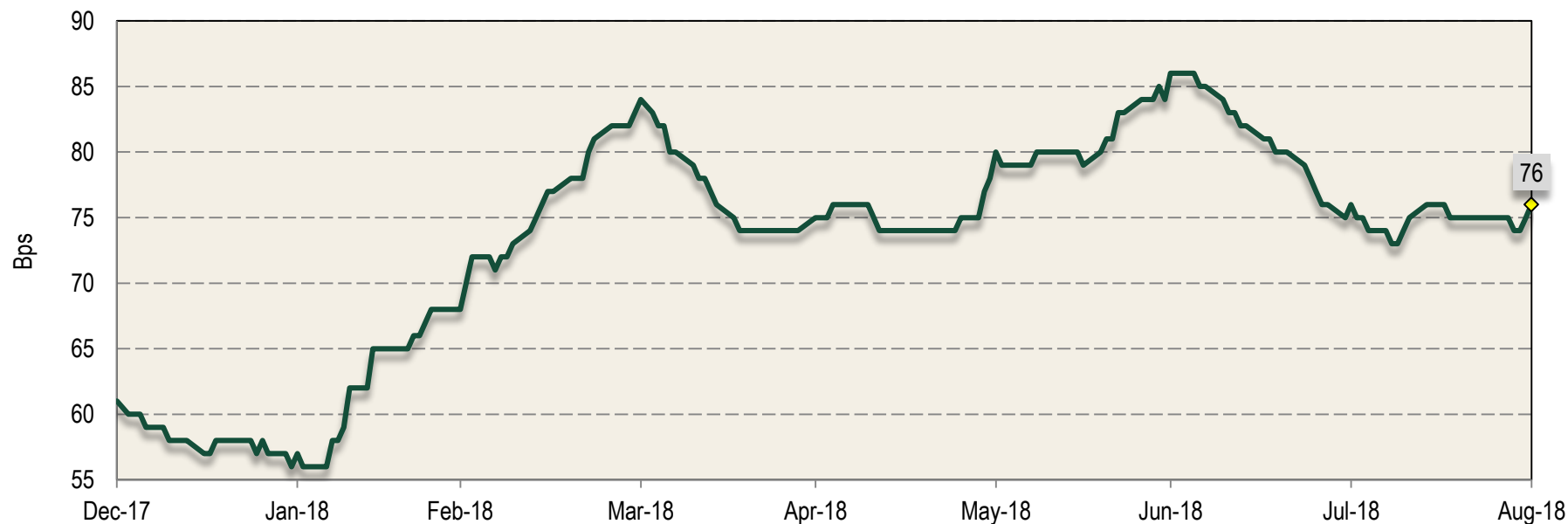


Consumer Confidence



Source: Bureau of Labor Statistics, The Conference Board, Bloomberg

ICE BofAML CORPORATE 1-5 YEAR INDEX – as of August 31, 2018



OAS (bps)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Corporate (1–5)	174	70	61	65	62	196	639	166	136	227	110	89	99	121	96	61	76
Financial (1–5)	165	51	50	57	56	212	663	204	158	308	126	93	96	104	100	60	78
Industrial (1–5)	176	86	73	75	69	181	624	135	116	164	96	85	103	134	92	61	74
Utility (1–5)	236	79	63	73	71	175	576	155	131	169	110	99	89	120	101	64	85

Past performance is not indicative of future results.

Source: ICE Data Services

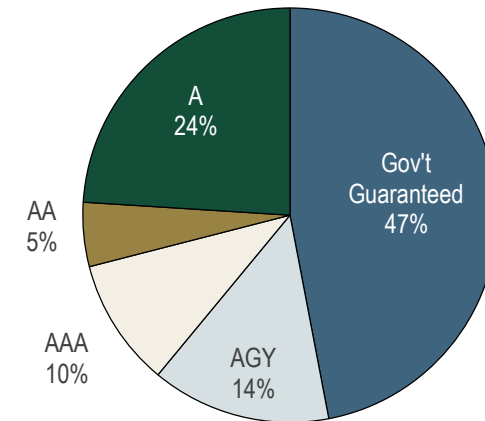
SECTION III

Portfolio Strategy / Positioning

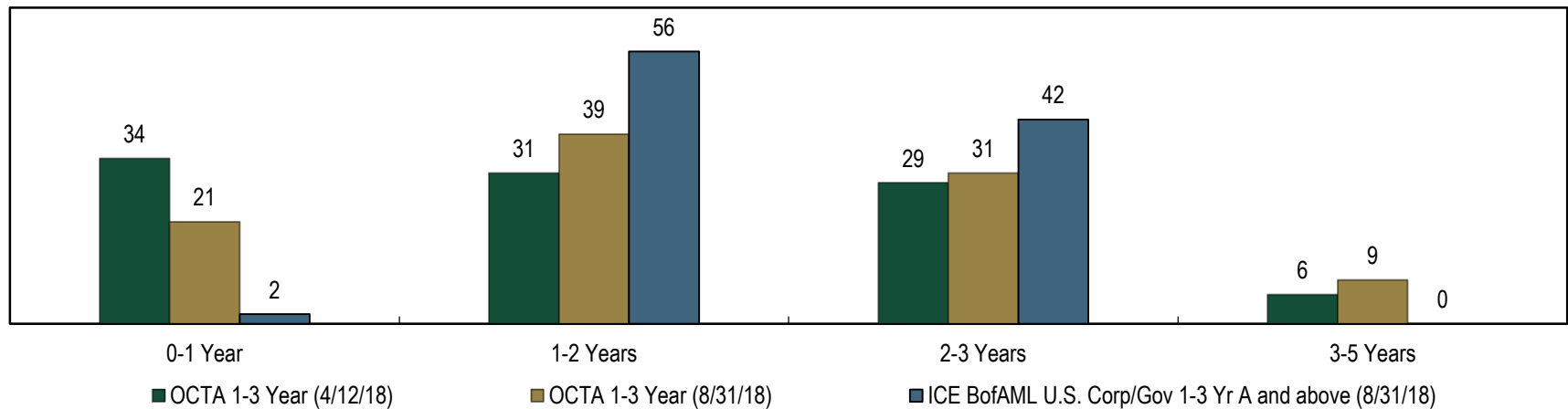
PORTFOLIO REVIEW – as of August 31, 2018

	OCTA 1-3 Year (4/12/18)	OCTA 1-3 Year (8/31/18)	ICE BofAML U.S. Corp/Gov 1-3 Year A and above ¹ (8/31/18)
Yield to Maturity	2.41%	2.77%	2.72%
Duration	1.57 Years	1.73 Years	1.88 Years
Fixed / Floater	100% / 0%	92% / 8%	100% / 0%
Average Quality (Moody's)	Aa1	Aa2	Aa2

Quality Ratings Distribution



Duration Distribution (% Market Value)

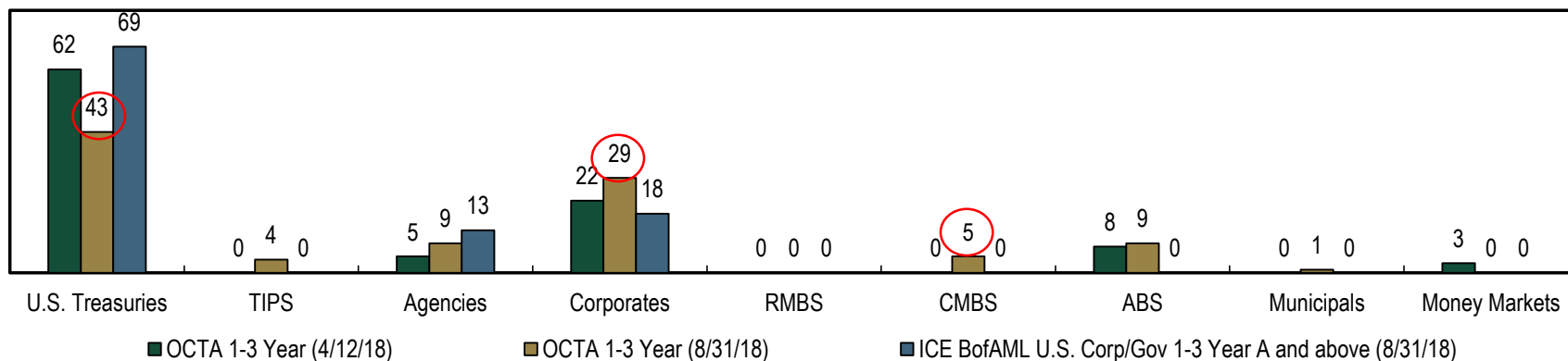


Past performance is not indicative of future results. Portfolio characteristics are preliminary and subject to change.

¹The performance benchmark for the Orange County Transportation Authority portfolio is the ICE BofAML U.S. Corporate & Government 1-3 Year, A and above Index, which is a broad-based Index consisting of U.S. Corporate and Government securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to three years, and securities rated AAA through A3, inclusive reflecting total return, and is presented here for discussion purposes only.

PORTFOLIO REVIEW – as of August 31, 2018

Sector Distribution (% Market Value)



Treasury / Agency

- Lowered Treasury allocation to fund “spread” sectors
- Added 4% in Treasury Inflation Protected Securities (TIPS)
- Increased Agency exposure by adding callable and floating rate bonds

Structured Products

- Diversified ABS exposure by adding to credit card and dealer floorplans
- Reduced exposure to equipment ABS and increased exposure to prime auto
- Added Fannie Mae and Freddie Mac Agency CMBS in the 0.9 to 1.5-year part of the maturity spectrum

Corporates

- Focused on fixed-rate 2020 and 2021 maturities to capitalize on front-end yield curve steepness
- Added to the Banking (U.S. money centers and regional banks) and Insurance sub-sectors
- Reduced exposure to Consumer Non-cyclicals and Technology

Municipals

- Added State of California G.O.’s, San Bernardino and Burlingame School District
- Added San Francisco Redevelopment District bonds that have been pre-refunded and escrowed to maturity with U.S. Treasuries

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¹The performance benchmark for the Orange County Transportation Authority portfolio is the ICE BofAML U.S. Corporate & Government 1-3 Year, A and above Index, which is a broad-based Index consisting of U.S. Corporate and Government securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to three years, and securities rated AAA through A3, inclusive reflecting total return, and is presented here for discussion purposes only.



Committee Members Present

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

Staff Present

Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Todd Spitzer

Call to Order

The July 25, 2018 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:32 a.m.

Pledge of Allegiance

Director Jones led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Taxable Sales Forecast - Chapman University - Raymond Sfeir, PhD, Professor of Economics

Andrew Oftelie, Executive Director of Finance and Administration, provided opening comments and introduced Dr. Raymond Sfeir, PhD, of Chapman University. Dr. Sfeir presented a comprehensive PowerPoint presentation and highlighted the following areas:

- Interest Rate Spread;
- Household Debt Service Payments as a Percentage of Disposable Income;
- Housing Starts;
- Nonresidential Investment – United States;
- Real Gross Domestic Product;
- California Permits 2007-2018;
- Construction Spending California;
- Job Growth;
- Payroll Employment;

2. (Continued)

- Orange County Outlook;
- Construction Spending - Orange County
- Construction Employment - Orange County;
- Purchasing Managers Index - Orange County;
- Manufacturing Jobs;
- Unemployment Rate in May 2018;
- Job Growth - Orange County;
- Employment by Industry - Orange County;
- Orange County Inflow/Outflow Job Counts – 2015;
- Orange County Jobs – Where workers Live – 2015;
- Payroll Jobs – Orange County
- Housing Outlook;
- Orange County – 2-Bedroom Apartment Rents;
- Unsold Inventory – Orange County;
- Supply of Unsold Homes – Orange County;
- Residential Building Permits – Orange County;
- Single Family Homes as a Percentage of Total Housing Unit Permits;
- Resale Single-Family Housing Prices – Orange County;
- Median Single-Family Home Prices – Orange County;
- Percent of Median Family Income Needed for Mortgage Payment on Median-Priced Home;
- Factors Affecting Consumer Spending;
- Total Population – Orange County; and
- Taxable Sales – Orange County.

A lengthy discussion ensued regarding:

- Employment rates;
- Main drivers in employment growth;
- Higher construction costs;
- Median housing prices;
- Mortgage rates;
- Expected growth of employment sectors; and
- Sales in Orange County and how it factors with growth.

Consent Calendar (Items 3 through 11)**3. Approval of Minutes**

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of July 11, 2018.



4. Fiscal Year 2017-18 Internal Audit Plan, Fourth Quarter Update

Committee Chairman Do thanked the Internal Audit staff for all their hard work this year.

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2017-18 Internal Audit Plan as an information item.

5. Local Agency Investment Fund - June 2018

Committee Vice Chairman R. Murphy pulled this item to inquire about the internal controls that are in place for wire transfers.

Andrew Oftelie, Executive Director of Finance and Administration, explained the multiple layers of controls and approvals in place for wire transfers.

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

6. Orange County Treasurer's Management Report - June 2018

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

7. Orange County Transportation Authority Investment and Debt Programs Report - June 2018

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

8. Fourth Quarter Fiscal Year 2017-18 Procurement Status Report

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



9. OC Flex Update and Proposed Fare

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to approve the OC Flex fare of \$5.00 for onboard cash paying customers or \$4.50 for customers that use prepaid fare media.

10. Fiscal Year 2018-19 Budget Amendment

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to amend the Orange County Transportation Authority's Fiscal Year 2018-19 Budget by \$51,527,520, to accommodate Agreement No. C-6-1445, for the purchase of eight streetcar vehicles, spare parts, and special tooling for the OC Streetcar project.

11. New York Meetings Update - June 2018

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

Regular Calendar

12. Interstate 405 Improvement Project: Project Management Contracts, Internal Audit Report No. 18-505

Janet Sutter, Executive Director of Internal Audit, provided an overview of the following:

- Labor classifications;
- Consultant staff oversight;
- Contract amendments, and
- Validation of consultant estimates for amendments.

Committee Chairman Do commended Ms. Sutter and the Internal Audit department for a very thorough job on this audit.

Committee Chairman Do requested that any postdated labor reclassification should be reviewed and substantiated to show the request was in fact made up to 60 days prior.

Andrew Oftelie, Executive Director of Finance, stated staff will incorporate the changes to the procedures and will notify Committee Chairman Do if there are any issues.

12. (Continued)

Committee Vice Chairman R. Murphy inquired about the salary ranges and the possibility for manipulation.

Darrell E. Johnson, Chief Executive Officer, (CEO), responded that the intent of the labor classifications is meant to accommodate a range within the industry and based upon a series of activities on a temporary basis. He stated that staff did not define temporary and now is being defined as 180 days.

Mr. Oftelie stated that staff will implement labor classification limitations for non-named personnel, and staff will seek reimbursement for overbilling through the Mott MacDonald contract.

Jim Beil, Executive Director of Capital Programs, addressed the time sheet billing issues, and stated staff will ensure oversight of time sheets submitted and billings will be signed by the sub-contractor and prime contractor.

Mr. Johnson, CEO, commented he met with the Vice President of the Southwest region for Mott MacDonald, and they clearly understand OCTA'S concerns and will absolutely fix the issues.

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to direct staff to implement four recommendations provided in Interstate 405 Improvement Project: Project Management Contracts, Internal Audit Report No. 18-505.

Director Jones was not present to vote on this item.

Discussion Items

13. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

- The Angels Express was in service last night with nearly 500 boardings. Staff has recorded more than 25,000 boardings for the season, which is about on par with last season.



13. (Continued)

- A public information meeting for the Interstate 5/El Toro Road Interchange Project is being held tonight from 5:30 p.m. to 7:30 p.m. at Laguna Woods City Hall. This project is in the environmental phase which began last year and is expected to be completed late next year.

14. Committee Members' Reports

Director Hennessey thanked Ms. Sutter for her good work and bringing forward Item 12 to the Committee.

15. Closed Session

There are no Closed Session items scheduled.

16. Adjournment

The meeting adjourned at 11:41 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, August 22, 2018**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Andrew Do
Committee Chairman



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Audit of State Transportation Improvement Program Planning,
Programming and Monitoring Program, Program
Fiscal Year 2015-2016

Overview

As required by agreement with the California Department of Transportation, an independent audit of the State Transportation Improvement Program Planning, Programming and Monitoring Program project has been completed by the professional accounting firm of BCA Watson Rice LLP. The audit found that project funds were used in conformance with Article XIX of the California State Constitution.

Recommendation

Receive and file as an information item.

Background

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program of transportation projects on and off the California State Highway System, funded with revenues from the Transportation Investment Fund and other funding sources. The Planning, Programming and Monitoring Program (PPM) is defined as “the project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program and the STIP required by Government Code Section 14527, et. seq. and for the monitoring of project implementation...”

The Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM16-6071(113) (Fund Transfer Agreement) on July 1, 2015, with the California Department of Transportation for reimbursement of its PPM

project in an amount not to exceed \$831,000, from monies appropriated in fiscal year 2015-16, for local assistance. In accordance with the Fund Transfer Agreement, an independent audit is required to provide assurance that the project funds were used in conformance with Article XIX of the California State Constitution.

Discussion

The audit found that STIP PPM project funds were used in conformance with Article XIX of the California State Constitution. The audit also found that the Schedule of Program Costs presents fairly, in all material respects, the revenue received and costs incurred by OCTA under the Fund Transfer Agreement.

Summary

An independent audit of the STIP PPM project has been completed by the professional accounting firm of BCA Watson Rice LLP. The detailed audit scope and results are included in the audit report at Attachment A.

Attachment

- A. Orange County Transportation Authority, State Transportation Improvement Program Planning, Programming and Monitoring Program, Program Fiscal Year 2015-2016, Agreement No. PPM16-6071(113)

Prepared by:

Serena K. Ng

Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:

Janet Sutter

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

**State Transportation Improvement Program
Planning, Programming and Monitoring Program
Program Fiscal Year 2015-2016
Agreement No. PPM16-6071 (113)**

For the Period Covering July 1, 2015 to June 30, 2018



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

For the Period Covering July 1, 2015 through June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Schedule of Program Costs

We have audited the accompanying Schedule of Program Costs incurred by the Orange County Transportation Authority (OCTA) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) totaling \$831,000 with the State of California, Department of Transportation (Caltrans) for the period covering July 1, 2015 through June 30, 2018, and the related Notes to the Schedule of Program Costs.

Management's Responsibility for the Schedule of Program Costs

The OCTA's management is responsible for the preparation and fair presentation of the Schedule of Program Costs in accordance with the methods of preparation described in Note 3. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Program Costs that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Program Costs based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Program Costs is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Program Costs. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Schedule of Program Costs, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Program Costs 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 of Program Costs. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Program Costs referred to above presents fairly, in all material respects, the revenue received and costs incurred by OCTA under the Agreement for the period July 1, 2015 through June 30, 2018 in accordance with the basis of accounting described in Note 3.

Emphasis of Matter

As discussed in Note 2, the Schedule of Program Costs presents only the STIP PPM revenue and costs of OCTA for the period July 1, 2015 through June 30, 2018 and does not purport to, and does not, present the net position, changes in net position, or cash flows of OCTA. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 1, 2018 on our consideration of OCTA'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, including Article XIX of the California State Constitution. 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 OCTA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
August 1, 2018

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

Project Name	Invoiced Costs	Questioned Costs	Audited Costs	Project Status
Air Quality Planning Support	\$ 9,945	\$ -	\$ 9,945	Complete
Harbor Boulevard Transit Study	5,374	-	5,374	Complete
I-5 HOV Extension between Avenida Pico and the San Diego County Line PSR/PDS	46,555	-	46,555	In Progress
Transit Master Plan	222,823	-	222,823	Complete
Freeway Chokepoint Study	43,273	-	43,273	Complete
Flexible-Potential Staffing – Labor Charges FY 2017-18	580,825	-	580,825	
Total Costs Incurred	\$ 908,795	\$ -	\$ 908,795	
Total Funding Available for Program Year 15-16				\$ 831,000
Total Amount Reimbursed by Caltrans				(141,571)
Amount Due from Caltrans				<u>\$ 689,429</u>

See accompanying notes to the schedule of program costs.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Notes to Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

1. GENERAL INFORMATION

On July 1, 2015, the Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM). PPM activities included:

- Planning – Developing strategies to address the short and long-term multimodal transportation needs of both Orange County and the region, and to guide the expenditure of federal, state and local transportation funds;
- Programming – Consultant, management and staff support to prioritize, allocate, program and manage federal, state and local funds for transportation improvements through the county transportation improvement program, including the regional component of the STIP and the Orange County's component of the Regional Transportation Improvement Program (RTIP); and
- Transportation Monitoring, Data Management, and Analysis – Consultant and staff support to meet the state and federal transportation data collection and monitoring requirements, thereby providing the analytical basis for county-wide planning and programming decisions, as well as to monitor the development and delivery of transportation projects programmed through the STIP and RTIP.

OCTA is required to comply with the Agreement and to ensure that STIP PPM funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

2. BASIS OF PRESENTATION

The accompanying Schedule of Program Costs includes revenue received and costs incurred under the Agreement for the period July 1, 2015 through June 30, 2018. Because the Schedule of Program Costs presents only a selected portion of the operations of OCTA, it is not intended to and does not present the net position, changes in net position, or cash flows of OCTA. The information in the Schedule of Program Costs is presented in accordance with the requirements specified by Caltrans, accounting principles generally accepted in the United States of America, and is specific to the aforementioned Agreement.

ORANGE COUNTY TRANSPORTATION AUTHORITY

State Transportation Improvement Program Planning, Programming and Monitoring Program Program Fiscal Year 2015-2016

Notes to Schedule of Program Costs For the Period Covering July 1, 2015 through June 30, 2018

3. BASIS OF ACCOUNTING

The Schedule of Program Costs is reported on the modified accrual basis of accounting. The expenditures reported therein are recognized following the cost principles contained in the Office of Management and Budget (OMB) Uniform Guidance.

4. REVENUE AND RECEIVABLE FROM CALTRANS

On March 29, 2018, OCTA received a \$141,571 reimbursement for costs incurred under the Agreement. As of the date of this report, OCTA had not yet received the remaining \$689,429 reimbursement for costs incurred under the Agreement. The amount due from Caltrans represents a receivable for eligible costs incurred.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF A SCHEDULE OF PROGRAM COSTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with 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, the Schedule of Program Costs of the Orange County Transportation Authority (OCTA) representing revenue received and costs incurred under the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) for the period July 1, 2015 through June 30, 2018, and the related Notes to the Schedule of Program Costs, and have issued our report thereon dated August 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Program Costs, we considered OCTA'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 of Program Costs, but not for the purpose of expressing our opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA'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 OCTA's Schedule of Program Costs will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's Schedule of Program Costs is free of 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 of Program Costs 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 other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

This report is intended 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 OCTA's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
August 1, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE STATE TRANSPORTATION IMPROVEMENT PROGRAM
PLANNING, PROGRAMMING AND MONITORING PROGRAM
FUND TRANSFER AGREEMENT NO. PPM16-6071(113) AND
ARTICLE XIX OF THE CALIFORNIA STATE CONSTITUTION**

The Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the Orange County Transportation Authority's (OCTA's) compliance with the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement No. PPM16-6071(113) (Agreement) with the State of California, Department of Transportation (Caltrans) and Article XIX of the California State Constitution applicable to OCTA's STIP PPM Program for the period July 1, 2015 through June 30, 2018.

Management's Responsibility

OCTA's management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on OCTA's compliance with the applicable compliance requirements based on the compliance audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Agreement and Article XIX of the California State Constitution. Those standards, the Agreement and Article XIX of the California State Constitution require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the STIP PPM Program occurred. A compliance audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of OCTA's compliance with those requirements.

Opinion

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that are applicable to the STIP PPM Program, and project funds were used in conformance with Article XIX of the California State Constitution for the period July 1, 2015 through June 30, 2018.

Purpose of this Report

This report is intended solely to describe the scope of our testing based on the requirements of the Agreement and Article XIX of the California State Constitution. Accordingly, this report is not suitable for any other purpose

BCA Watson Rice, LLP

Torrance, CA
August 1, 2018



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Warranty Administration, Internal Audit Report No. 18-510

Overview

The Internal Audit Department has completed an audit of warranty administration. Based on the audit, controls over identification, processing, and reporting of warranty claims are adequate; however, one recommendation is being made to formalize and document procedures used to derive the value of warranty labor.

Recommendation

Direct staff to implement one recommendation provided in Warranty Administration, Internal Audit Report No. 18-510.

Background

Warranty claims include repairs performed by vendors at no cost to the Orange County Transportation Authority (OCTA), repairs performed by OCTA mechanics and reimbursed by vendors, claims for parts order inventory discrepancies, and claims for defective parts. Warranty Section staff within the Contracts Administration and Materials Management Department are responsible for processing warranty claims for the directly operated bus fleet.

To help ensure parts under warranty are identified, the Collective Bargaining Agreement with the Transportation Communications Union/International Association of Machinists and Aerospace Workers includes an incentive bonus of \$250 per employee, per year for equipment parts and stock room clerks when warranty recoveries total \$3,500 or more per vehicle, per year. An additional \$100 per employee may be earned when recoveries equal \$5,000 or more per vehicle.

Discussion

Labor rates and labor hour estimates used to calculate the value of warranty recoveries is not always consistent or adequately documented. To address this, the Internal Audit Department (Internal Audit) recommended management formalize procedures for developing warranty claim values and maintain documentation to support the labor rates and labor hour estimates used. Management agreed and indicated that a formal process will be developed and implemented.

Summary

Internal Audit has completed an audit of warranty administration and offered one recommendation for improvement.

Attachment

A. Warranty Administration, Internal Audit Report No. 18-510

Prepared by:



Gerry Dunning
Senior Internal Auditor
714-560-5875

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Warranty Administration

Internal Audit Report No. 18-510

August 22, 2018



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

Distributed to: Andrew Oftelie, Executive Director, Finance & Administration
Virginia Abadessa, Director, Contracts Administration & Materials Management
Ron Rojas, Section Manager, Materials Management Administration
Connie Mendoza, Section Supervisor, Materials Management Administration

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Warranty Administration
August 22, 2018**

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Warranty Administration
August 22, 2018

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of warranty administration. Based on the audit, controls over identification, processing, and reporting of warranty claims are adequate; however, one recommendation is being made to formalize and document procedures used to derive the value of warranty labor.

Background

The Contracts Administration and Materials Management Department (CAMP) of the Finance and Administration (F&A) Division is responsible for the processing and reporting of all warranty claims related to the directly-operated bus fleet. The Warranty Section (Warranty) includes a warranty supervisor, a senior warranty coordinator, and an associate warranty coordinator. The directly-operated bus fleet consists of 283 buses.

Warranty claims include repairs performed by vendors at no cost to the Orange County Transportation Authority (OCTA), repairs performed by OCTA mechanics and reimbursed by vendors, claims for parts order inventory discrepancies, and claims for defective parts.

To help ensure parts under warranty are identified, the Collective Bargaining Agreement with the Transportation Communications Union/International Association of Machinists and Aerospace Workers includes an incentive bonus of \$250 per employee, per year for equipment parts and stock room clerks when warranty recoveries total \$3,500 or more per vehicle, per year. An additional \$100 per employee may be earned when recoveries equal \$5,000 or more per vehicle.

To determine the value of warranty recoveries, Warranty staff record the cost of parts per the parts inventory system or vendor work orders and calculate a value for warranty labor by multiplying the estimated labor hours by a labor rate. For work performed by OCTA mechanics, a fully burdened rate for a certified journeyman mechanic is developed by Financial Planning and Analysis Department staff. Warranty staff obtain labor hours from related work orders or they use their own estimates based on the work performed.

Warranty recovery values reported for the past three years, were as follows:

2015	2016	2017
\$1,757,671	\$1,590,497	\$3,522,403

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Warranty Administration
August 22, 2018**

Objectives, Scope, and Methodology

The objectives were to assess the adequacy of controls in place over warranty claims identification, processing, and reporting.

The methodology consisted of interviews with the section manager and the section supervisor, testing of a haphazard sample of warranty monthly reports, testing of the warranty bonus calculation and testing of a judgmental sample of outstanding and/or rejected claims. Judgmental samples were selected to provide coverage of the various categories of warranty claims. For haphazard and judgmental samples, conclusions are limited to the sample items tested since sampling is non-statistical.

The scope was limited to warranty claims for the directly-operated bus fleet, monthly reports for 2017, bonus payments processed in November 2017, and warranty claims data for January 1, 2017 through July 26, 2018.

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Warranty Administration
August 22, 2018**

Audit Comment, Recommendation, and Management Response

Determination of Warranty Recovery Amounts

Labor rates and labor hour estimates used to calculate the value of warranty work performed are not always consistent and adequately documented.

Warranty staff estimate, record, and report the value of warranty claims. These values are used to both measure performance and to calculate employee incentive payments. The value of warranty work, whether by a vendor or by OCTA staff, is determined using an estimate of the labor hours needed to perform the repair multiplied by a labor rate.

Documentation was not available to validate the labor rates and labor hour estimates used for most warranty claims.

Recommendation 1:

Internal Audit recommends management formalize procedures for developing warranty claim values. Documentation to support labor rates and labor hour estimates used should be maintained.

Management Response:

Management agrees that procedures for developing warranty claim values should be formalized. Management will establish a formal process for stating claim values on internal and external repairs and utilizing internal labor rates established by OCTA's F&A Division.



September 12, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Local Agency Investment Fund - July 2018

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 July 31, 2018. 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 July 31, 2018, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$90,155,032,049 with an average monthly effective yield of 1.94 percent and a month-end weighted average maturity of 194 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$20,669,174,088. The Orange County Transportation Authority's month-end balance in LAIF was \$10,424,157.

The average monthly effective yield is the average of the daily yield for the month. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and current market value.

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 July 31, 2018.

Attachment

A. Local Agency Investment Fund – As of July 31, 2018

Prepared by:



Jennifer Matano
Department Manager,
Treasury/Public Finance
(714) 560-5563

Approved by:



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

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

www.treasurer.ca.gov/pmia-laif/laif.asp
August 14, 2018

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

July 2018 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
7/13/2018	7/12/2018	QRD	1578901	SYSTEM	49,229.82

Account Summary

Total Deposit:	49,229.82	Beginning Balance:	10,374,927.27
Total Withdrawal:	0.00	Ending Balance:	10,424,157.09



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
07/09/18	1.93	1.93	191
07/10/18	1.93	1.93	192
07/11/18	1.93	1.93	191
07/12/18	1.94	1.93	189
07/13/18	1.94	1.93	190
07/14/18	1.94	1.93	190
07/15/18	1.94	1.93	190
07/16/18	1.94	1.93	188
07/17/18	1.94	1.93	187
07/18/18	1.94	1.93	187
07/19/18	1.95	1.93	189
07/20/18	1.95	1.94	188
07/21/18	1.95	1.94	188
07/22/18	1.95	1.94	188
07/23/18	1.95	1.94	186
07/24/18	1.95	1.94	190
07/25/18	1.96	1.94	189
07/26/18	1.96	1.94	188
07/27/18	1.96	1.94	190
07/28/18	1.96	1.94	190
07/29/18	1.96	1.94	190
07/30/18	1.96	1.94	190
07/31/18	1.98	1.94	194
08/01/18	1.98	1.95	199
08/02/18	1.98	1.95	198
08/03/18	1.98	1.95	197
08/04/18	1.98	1.95	197
08/05/18	1.98	1.95	197
08/06/18	1.98	1.95	197
08/07/18	1.98	1.95	195
08/08/18	1.98	1.95	195

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

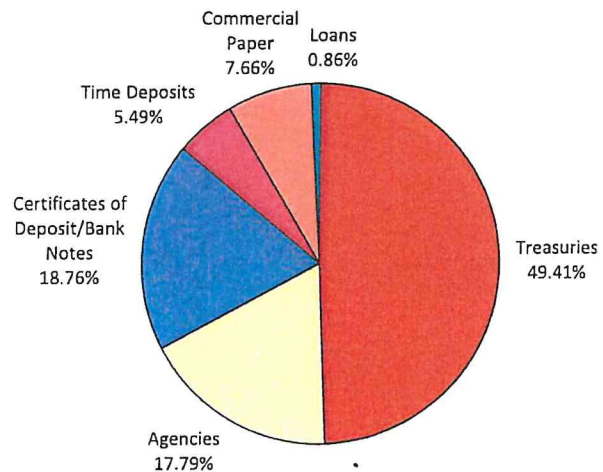
Quarter Ending 06/30/18

Apportionment Rate: 1.90%
 Earnings Ratio: 0.00005216919081336
 Fair Value Factor: 0.998126869
 Daily: 1.92%
 Quarter to Date: 1.76%
 Average Life: 193

**PMIA Average Monthly
Effective Yields**

July 2018 1.944
 June 2018 1.854
 May 2018 1.755

**Pooled Money Investment Account
Portfolio Composition
07/31/18
\$90.0 billion**



Based on data available as of 8/8/2018



Fair Value Including Accrued Interest	\$	90,155,032,049.30
---------------------------------------	----	-------------------

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



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Treasurer's Management Report - July 2018

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 July 31, 2018. 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 July 31, 2018, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$519,393,752 with a monthly gross yield of 1.64 percent and a month-end average days to maturity of 58 days. The OCIP Extended Fund book value was \$6,688,181,084 with a monthly gross yield of 1.65 percent and a month-end average days to maturity of 432 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$14,054,399; the combined pool had a monthly gross yield of 1.64 percent and month-end average days to maturity of 380 days.

The monthly gross yield is the average of the daily yield for the month. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and current market value.

During July there were no additions or deletions 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 92 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 July 31, 2018.

Attachment

A. Treasurer's Monthly Investment Report – July 31, 2018

Prepared by:



Jennifer Matano
Department Manager,
Treasury/Public Finance
(714) 560-5563

Approved by:



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

Treasurer's Monthly **INVESTMENT** JULY 2018 **REPORT**

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



COUNTY OF ORANGE

TREASURER'S INVESTMENT REPORT
For July 30, 2018

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



INTERDEPARTMENTAL COMMUNICATION

Date: August 17, 2018

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

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

Subject: Treasurer's Investment Report for the Month Ended July 31, 2018

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended July 31, 2018. 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 July 31, 2018. 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 (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), 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 OCMMF and the OCEMMF. 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 OCMMF and the OCEMMF is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 58 and 56, respectively. The maximum maturity of investments for the John Wayne Airport Investment Fund is 15 months, with a maximum WAM of 90 days, and a current WAM of 82. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.30), and the duration is currently at 1.17. 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 July 2018, the job market added 157,000 new jobs, and June's job numbers were revised upward by 35,000 to 248,000. The U.S. unemployment rate for July decreased to 3.9% from 4.0% in the prior month. The U.S. Gross Domestic Product second quarter rate increased from the prior quarter rate of 2.0% to 4.1%. The Empire State

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

Manufacturing Index decreased to 22.6 from 25.0 in June, while the Philadelphia Fed Index increased to 25.7 from 19.9 in June. 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 seventy-third consecutive month in May up 6.38% from a year ago. The index for pending home sales decreased 4.0% on a year-over-year basis in June. As reported last month, on June 13, 2018, the Federal Open Markets Committee (FOMC) raised the benchmark Federal Funds rate by 0.25 percent resulting in a new target range of 1.75 percent to 2.00 percent.

The 10-year Treasury rate rose from 2.85% in June to 2.96% in July. The short-term 90-day T-bill increased from 1.93% at the end of June to 2.03% at the end of July. The rate on the 2-year Treasury note was 2.67% at the end of July, up from 2.52% in June.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2018/2019 is 1.64% for OCIP and 1.68% for OCEIP. The current net yield for fiscal year 2018/2019 is 1.58 for OCIP and 1.62% for OCEIP. The forecasted net yield for fiscal year 2018/2019 for both OCIP and OCEIP is 1.81%.

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 2018, June 2018, and July 2018 interest apportionments are expected to be paid in August 2018, September 2018 and October 2018, respectively. The investment administrative fee (Fee) for fiscal year 2018/2019 is estimated at 5.9 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 July 31, 2018.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in "A" or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of individual 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 \$357 million in County of Orange debt, which represents approximately 4.2% of total pooled assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had two IPS compliance exceptions in the month of July. On July 30, 2018, the OCIP (in its short-term pool OCMMF) had 21.42% in the Money Market Mutual Funds investment category exceeding the limit of 20% and the OCIP (in its short-term pool OCMMF) had a weighted average maturity (WAM) of 65.11, exceeding the 60 day limit for short-term pools. On the next business day, these violations were cured, and OCIP was back in compliance on July 31st. These compliance exceptions were self-identified on July 30th by the County Treasurer. The County Treasurer is reviewing the investment processes to strengthen the system so that these do not happen again.

CREDIT UPDATE

During July, there were six changes to the Treasurer's Approved Issuer List. The Credit Investment Committee placed Walmart Inc. on hold and removed the Orange County CA Pension Obligation 2017 A bonds as they matured on June 29, 2018. The four other changes occurred when Moody's upgraded their credit ratings and outlooks on two issuers that the Credit Investment Committee had previously placed on hold prior to being downgraded. 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 July 31, 2018 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on November 14, 2017. 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

	JULY 2018	JUNE 2018	INCREASE (DECREASE)	NET CHANGE %	JULY 2017	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ¹	\$ 3,699,655,626	\$ 4,018,864,086	\$ (319,208,460)	-7.94%	\$ 3,747,344,022	\$ (47,688,396)	-1.27%
End Of Month Book Value ¹	\$ 3,720,637,614	\$ 4,039,514,424	\$ (318,876,810)	-7.89%	\$ 3,753,831,847	\$ (33,194,233)	-0.88%
Monthly Average Balance	\$ 3,957,348,486	\$ 4,344,890,956	\$ (387,542,470)	-8.92%	\$ 3,959,368,022	\$ (2,019,536)	-0.05%
Year-To-Date Average Balance ²	\$ 3,957,348,486	\$ 4,480,291,250	\$ (522,942,764)	-11.67%	\$ 3,959,368,022	\$ (2,019,536)	-0.05%
Monthly Accrued Earnings ³	\$ 5,532,831	\$ 5,708,843	\$ (176,012)	-3.08%	\$ 3,646,310	\$ 1,886,521	51.74%
Monthly Net Yield ³	1.58%	1.54%	0.04%	2.79%	1.02%	0.56%	55.20%
Year-To-Date Net Yield ³	1.58%	1.22%	0.36%	29.80%	1.02%	0.56%	55.25%
Annual Estimated Gross Yield ⁴	1.87%	1.28%	0.59%	46.09%	1.28%	0.59%	46.09%
Weighted Average Maturity (WAM)	380	350	30	8.57%	364	16	4.40%
Orange County Educational Investment Pool (OCEIP)							
End Of Month Market Value ¹	\$ 4,894,537,916	\$ 4,932,226,510	\$ (37,688,594)	-0.76%	\$ 4,624,742,969	\$ 269,794,947	5.83%
End Of Month Book Value ¹	\$ 4,917,462,588	\$ 4,953,551,827	\$ (36,089,239)	-0.73%	\$ 4,631,366,007	\$ 286,096,581	6.18%
Monthly Average Balance	\$ 4,991,639,662	\$ 4,876,022,430	\$ 115,617,232	2.37%	\$ 4,739,317,357	\$ 252,322,305	5.32%
Year-To-Date Average Balance	\$ 4,991,639,662	\$ 4,634,872,915	\$ 356,766,747	7.70%	\$ 4,739,317,357	\$ 252,322,305	5.32%
Monthly Accrued Earnings ³	\$ 7,146,878	\$ 6,650,118	\$ 496,760	7.47%	\$ 4,335,290	\$ 2,811,588	64.85%
Monthly Net Yield ³	1.62%	1.59%	0.03%	1.70%	1.02%	0.60%	58.53%
Year-To-Date Net Yield ³	1.62%	1.24%	0.38%	30.41%	1.02%	0.60%	58.54%
Annual Estimated Gross Yield ⁴	1.87%	1.30%	0.57%	43.85%	1.30%	0.57%	43.85%
Weighted Average Maturity (WAM)	323	302	21	6.95%	321	2	0.62%

¹ Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values are slightly lower than book value due to the several Federal Reserve short-term rate increases totaling 1.50% since November 2016. Note that, as disclosed on page 6, the OCIP has a NAV of .99 and the OCEIP has a net asset value (NAV) of 1.00. They both have sufficient liquidity to meet projected cash flow needs.

² The one-month July average is significantly less than the FY 2017/2018 yearly averages, consistent with prior years as the summer months have the lowest pool balances during the year.

³ In July 2018, OCIP and OCEIP Monthly Accrued Earnings, Monthly Net Yields, and Year-To-Date Net Yields were higher than prior year and also July Year-To-Date Net Yields higher than prior month primarily due to the continued increases in the Federal Reserve short-term rates.

⁴ The OCIP and OCEIP Annual Estimated Gross Yields for June 2018 and July 2017 are reported at the actual annual gross yields for FY 17/18, and their Annual Estimated Gross Yield for July 2018 is reported at the latest forecasted gross yield of 1.87%.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: July 31, 2018

INVESTMENT STATISTICS - By Investment Pool ⁽¹⁾					
DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 7/31/18	MONTHLY Gross Yield	Current NAV ⁽⁵⁾
COMBINED POOL BALANCES (includes the Extended Fund)					
	MARKET Value \$ 3,699,655,626	380	1.72%	1.64%	0.99 ⁽⁶⁾
	COST (Capital) \$ 3,721,709,436				
	MONTHLY AVG Balance \$ 3,957,348,486				
Orange County Investment Pool (OCIP)	BOOK Value \$ 3,720,637,614				
	MARKET Value \$ 4,894,537,916	323	1.77%	1.68%	1.00
	COST (Capital) \$ 4,917,722,470				
	MONTHLY AVG Balance \$ 4,991,639,662				
Orange County Educational Investment Pool (OCEIP)	BOOK Value \$ 4,917,462,588				
INVESTMENT STATISTICS - Non Pooled Investments ⁽²⁾					
DESCRIPTION	CURRENT BALANCE ⁽³⁾	INVESTMENT BALANCES AT COST			
Specific Investment					
Funds:	MARKET Value \$ 106,043,732	John Wayne Airport Investment Fund	\$	51,135,133	
283, 505, FVSD, CCCD	COST (Capital) \$ 107,243,230	Fountain Valley School District Fund 40	\$	34,790,770	
	MONTHLY AVG Balance \$ 106,873,389	Repurchase Agreement ⁽³⁾	\$	1,081,500	
	BOOK Value \$ 107,136,104	CCCD Series 2017E Bonds	\$	20,235,827	
					\$ 107,243,230
MONTH END TOTALS					
INVESTMENTS & CASH			INVESTMENTS & CASH		
COUNTY MONEY MARKET FUND (OCMMF)					
County Money Market Fund	\$ 518,751,835	OCIP	\$	3,726,321,612	
County Cash	\$ 4,612,176	OCEIP	\$	4,929,593,655	
EXTENDED FUND	\$ 6,691,761,504	Specific Investment Funds	\$	107,243,230	
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non-Pooled Cash	\$	17,918,236	
Educational Money Market Fund	\$ 1,428,918,567				
Educational Cash	\$ 11,871,185				
NON-POOLED INVESTMENTS & CASH					
Non-Pooled Investments	\$ 107,243,230				
Non-Pooled Cash	\$ 17,918,236				
	\$ 8,781,076,733				\$ 8,781,076,733
KEY POOL STATISTICS					
INTEREST RATE YIELD			WEIGHTED AVERAGE MATURITY (WAM)		
OCMMF - MONTHLY GROSS YIELD	1.64%	OCMMF		58	
OCEMMF - MONTHLY GROSS YIELD	1.77%	OCEMMF		56	
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	1.88%	JOHN WAYNE AIRPORT WAM		82	
OCIP - YTD NET YIELD ⁽⁴⁾	1.58%	LGIP WAM (Standard & Poors)		39	
OCEIP - YTD NET YIELD ⁽⁴⁾	1.62%				
90-DAY T-BILL YIELD - MONTHLY AVERAGE	1.97%				

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: July 31, 2018

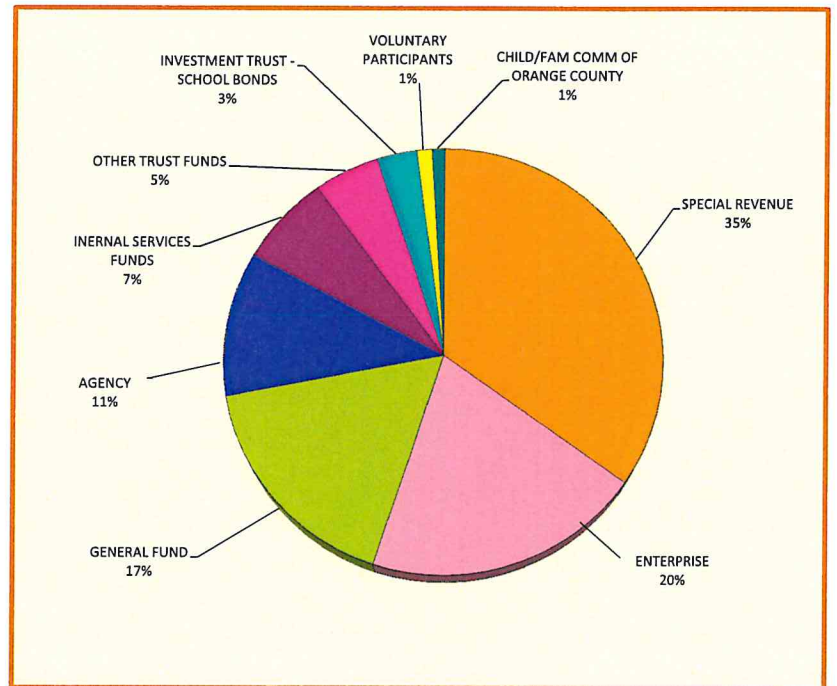
INVESTMENT STATISTICS - By Investment Fund

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 7/31/18	MONTHLY Gross Yield	Current NAV ⁽⁵⁾
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 519,462,662 COST (Capital) \$ 518,751,835 MONTHLY AVG Balance \$ 683,611,078 BOOK Value \$ 519,393,752	58	1.87%	1.64%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,430,530,269 COST (Capital) \$ 1,428,918,567 MONTHLY AVG Balance \$ 1,503,241,675 BOOK Value \$ 1,430,525,366	56	1.94%	1.77%	1.00
<u>Extended Fund</u>	MARKET Value \$ 6,644,200,611 COST (Capital) \$ 6,691,761,504 MONTHLY AVG Balance \$ 6,762,135,395 BOOK Value \$ 6,688,181,084	432	1.69%	1.65%	0.99 ⁽⁶⁾
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <i>OCIP Share</i>	MARKET Value \$ 3,180,192,964 COST (Capital) \$ 3,202,957,601 MONTHLY AVG Balance \$ 3,273,737,408 BOOK Value \$ 3,201,243,862	432	1.69%	1.65%	0.99
<i>OCEIP Share</i>	MARKET Value \$ 3,464,007,647 COST (Capital) \$ 3,488,803,903 MONTHLY AVG Balance \$ 3,488,397,987 BOOK Value \$ 3,486,937,222	432	1.69%	1.65%	0.99
<i>Modified Duration</i>	1.17				

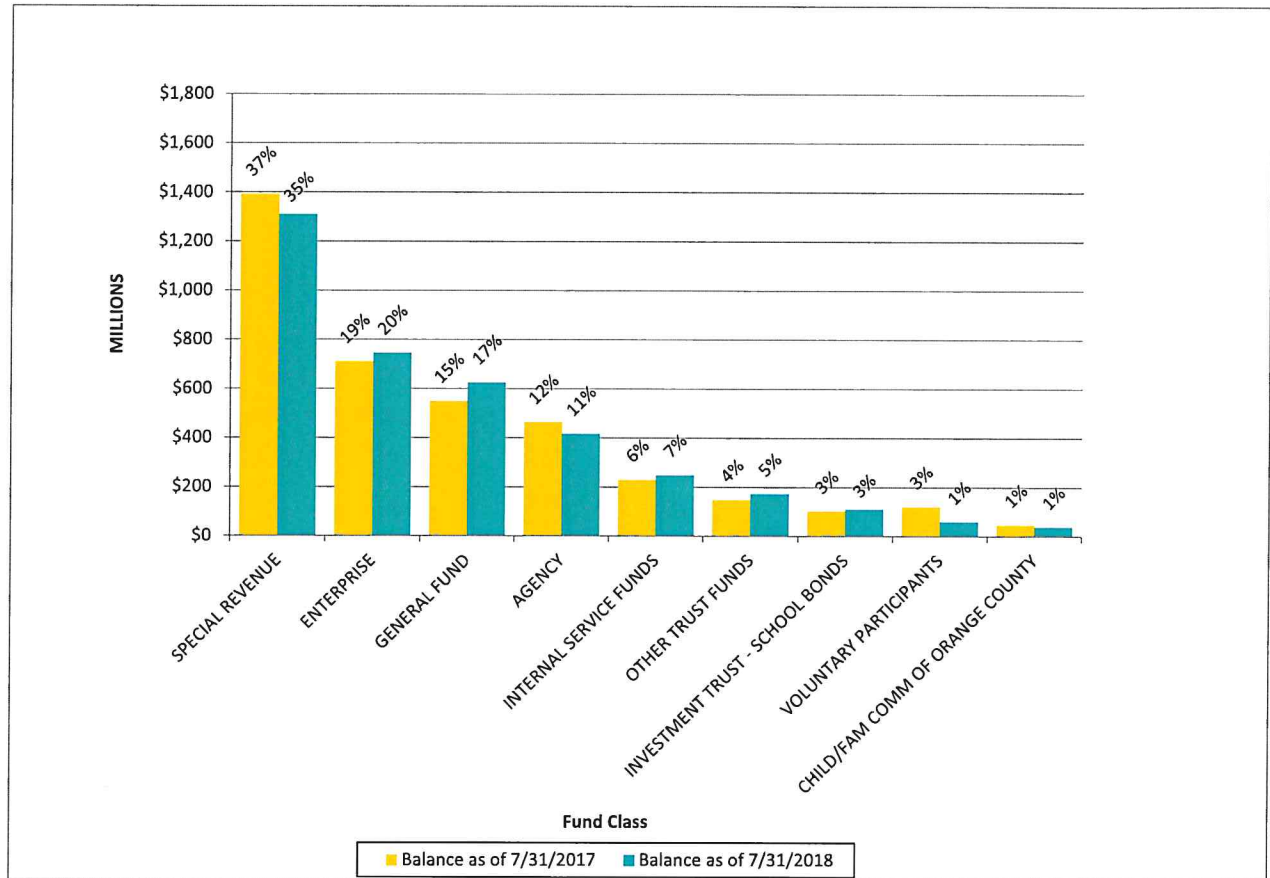
- (1) The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.
- (2) Specific non-pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.
- (3) This investment was liquidated July 9, 2018, but not recorded in the County books until August, 2018. The related bonds, Series A of 1997 Special Tax Bonds of Community Facilities District No. 87-4 (Foothill Ranch), were paid off August 15, 2018.
- (4) The Net Yield differs from the Monthly Gross Yield as it includes the Treasury Investment administrative fees.
- (5) 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.
- (6) The OCIP market values in the current year have caused the current NAV to drop to .99, as the Extended Fund represents 86% of the OCIP and its NAV is .99. The Extended Fund generally purchases investments between 1 and 5 years and the decrease in NAV of 1% is due to several Federal Reserve short-term rate increases totaling 1.50% since November 2016. The OCIP does have sufficient liquidity to meet projected cash flow needs.

**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JULY 31, 2018**

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,310,415,891
ENTERPRISE	746,195,600
GENERAL FUND	625,593,532
AGENCY	416,507,811
INTERNAL SERVICE FUNDS	248,357,459
OTHER TRUST FUNDS	172,168,294
INVESTMENT TRUST - SCHOOL BONDS	109,356,230
VOLUNTARY PARTICIPANTS	59,082,215
CHILD/FAM COMM OF ORANGE COUNTY	38,644,580
TOTAL	\$ 3,726,321,612

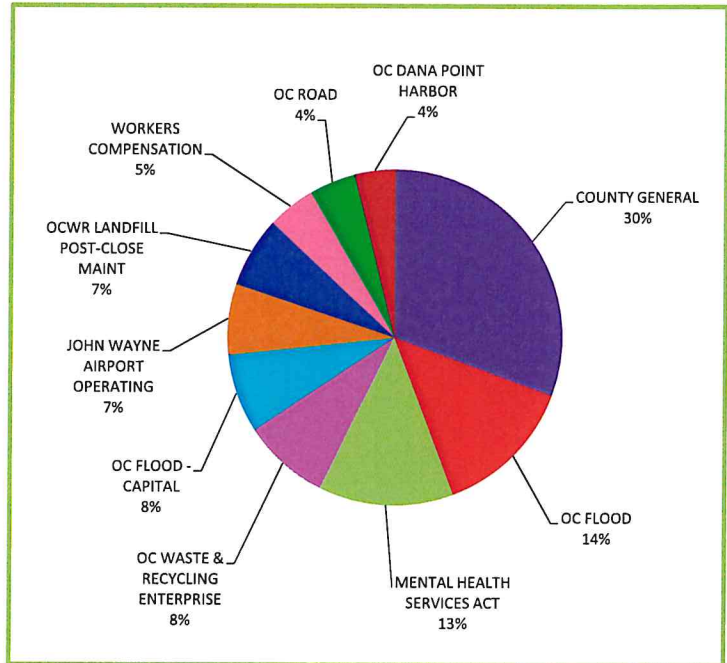


**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JULY 31**



**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JULY 31, 2018**

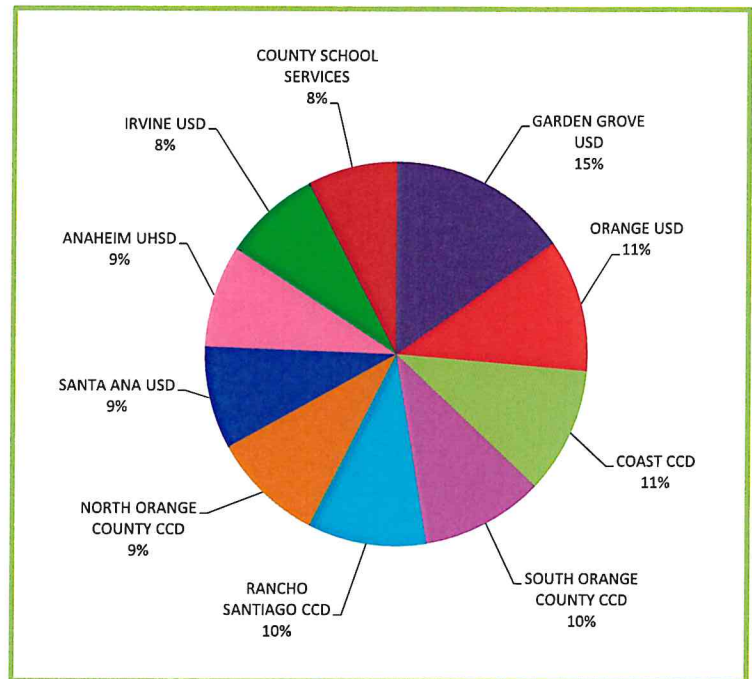
FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 585,270,497
400	OC FLOOD	260,250,826
13Y	MENTAL HEALTH SERVICES ACT	249,652,372
299	OC WASTE & RECYCLING ENTERPRISE	161,885,966
404	OC FLOOD - CAPITAL	145,905,661
280	JOHN WAYNE AIRPORT OPERATING	129,901,361
279	OCWR LANDFILL POST-CLOSE MAINT	129,392,192
293	WORKERS COMP	88,808,561
115	OC ROAD	86,668,864
108	OC DANA POINT HARBOR	75,059,829
TOTAL		\$ 1,912,796,129



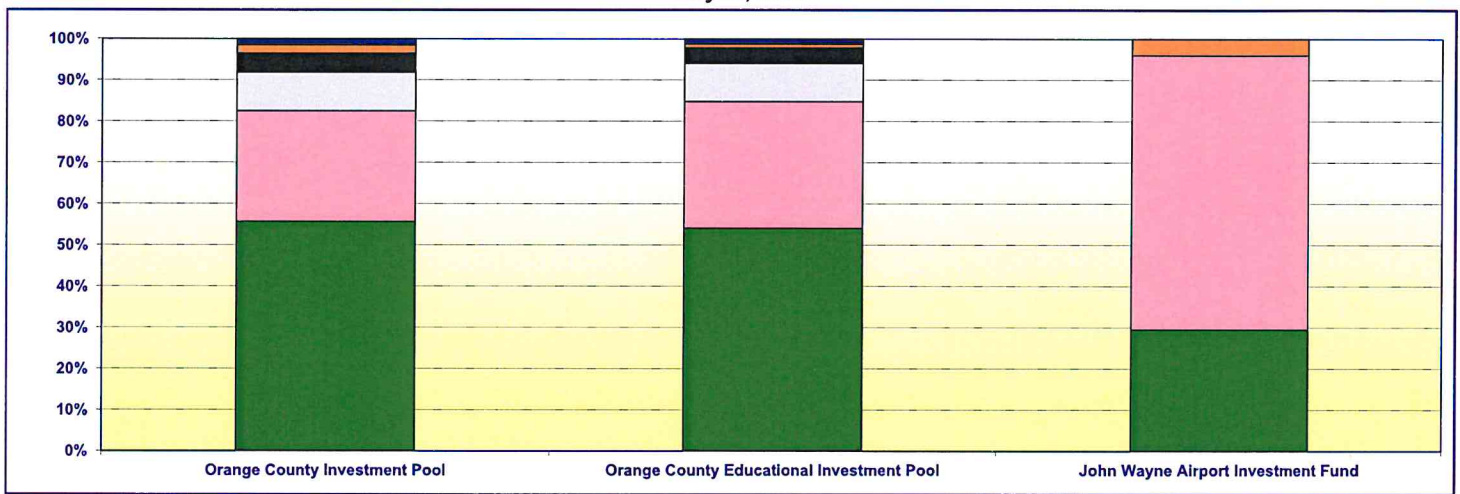
**ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JULY 31, 2018**

DISTRICT #	SCHOOL DISTRICT	BALANCE ⁽¹⁾
72	GARDEN GROVE USD	\$ 477,709,580 (1)
80	ORANGE USD	352,864,996 (1)
90	COAST CCD	334,141,712 (1)
96	SOUTH ORANGE COUNTY CCD	326,405,322
92	RANCHO SANTIAGO CCD	317,420,611 (1)
88	NORTH ORANGE COUNTY CCD	298,574,685 (1)
84	SANTA ANA USD	272,560,586 (1)
64	ANAHEIM UHSD	270,736,040 (1)
75	IRVINE USD	257,945,780 (1)
94	COUNTY SCHOOL SERVICES	239,599,720
TOTAL		\$ 3,147,959,032

(1) BALANCES INCLUDE GENERAL OBLIGATION BONDS PROCEEDS



ORANGE COUNTY TREASURER - TAX COLLECTOR
BY INVESTMENT TYPE - By Percentage Holdings
July 31, 2018



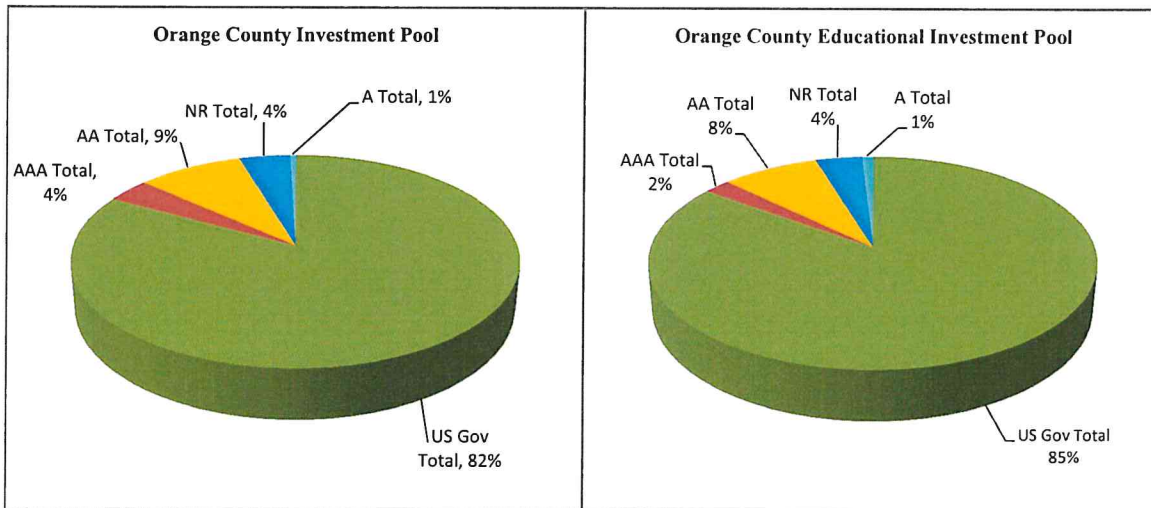
Orange County Investment Pool		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 2,056,565	55.59%
U. S. TREASURIES	993,129	26.84%
MEDIUM-TERM NOTES	346,291	9.36%
MUNICIPAL DEBT	170,705	4.62%
MONEY MARKET MUTUAL FUNDS	75,275	2.03%
CERTIFICATES OF DEPOSIT	53,015	1.43%
LOCAL AGENCY INVESTMENT FUND	4,676	0.13%
	<u>\$ 3,699,656</u>	<u>100.00%</u>

Orange County Educational Investment Pool		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 2,645,157	54.04%
U. S. TREASURIES	1,506,869	30.79%
MEDIUM-TERM NOTES	450,112	9.20%
MUNICIPAL DEBT	185,940	3.80%
MONEY MARKET MUTUAL FUNDS	43,621	0.89%
CERTIFICATES OF DEPOSIT	57,746	1.18%
LOCAL AGENCY INVESTMENT FUND	5,093	0.10%
	<u>\$ 4,894,538</u>	<u>100.00%</u>

John Wayne Airport Investment Fund		
	In Thousands	%
U. S. GOVERNMENT AGENCIES	\$ 15,099	29.50%
U. S. TREASURIES	34,042	66.50%
MONEY MARKET MUTUAL FUNDS	2,049	4.00%
	<u>\$ 51,190</u>	<u>100.00%</u>

Calculated Using Market Value at 7/31/2018

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
 July 31, 2018



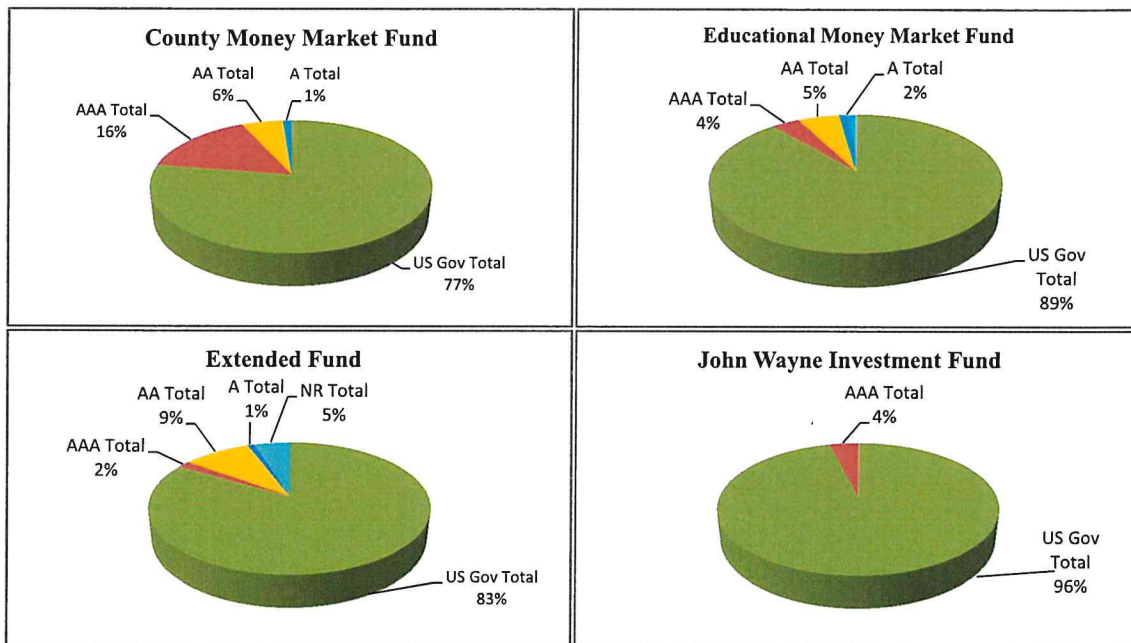
US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
 July 31, 2018



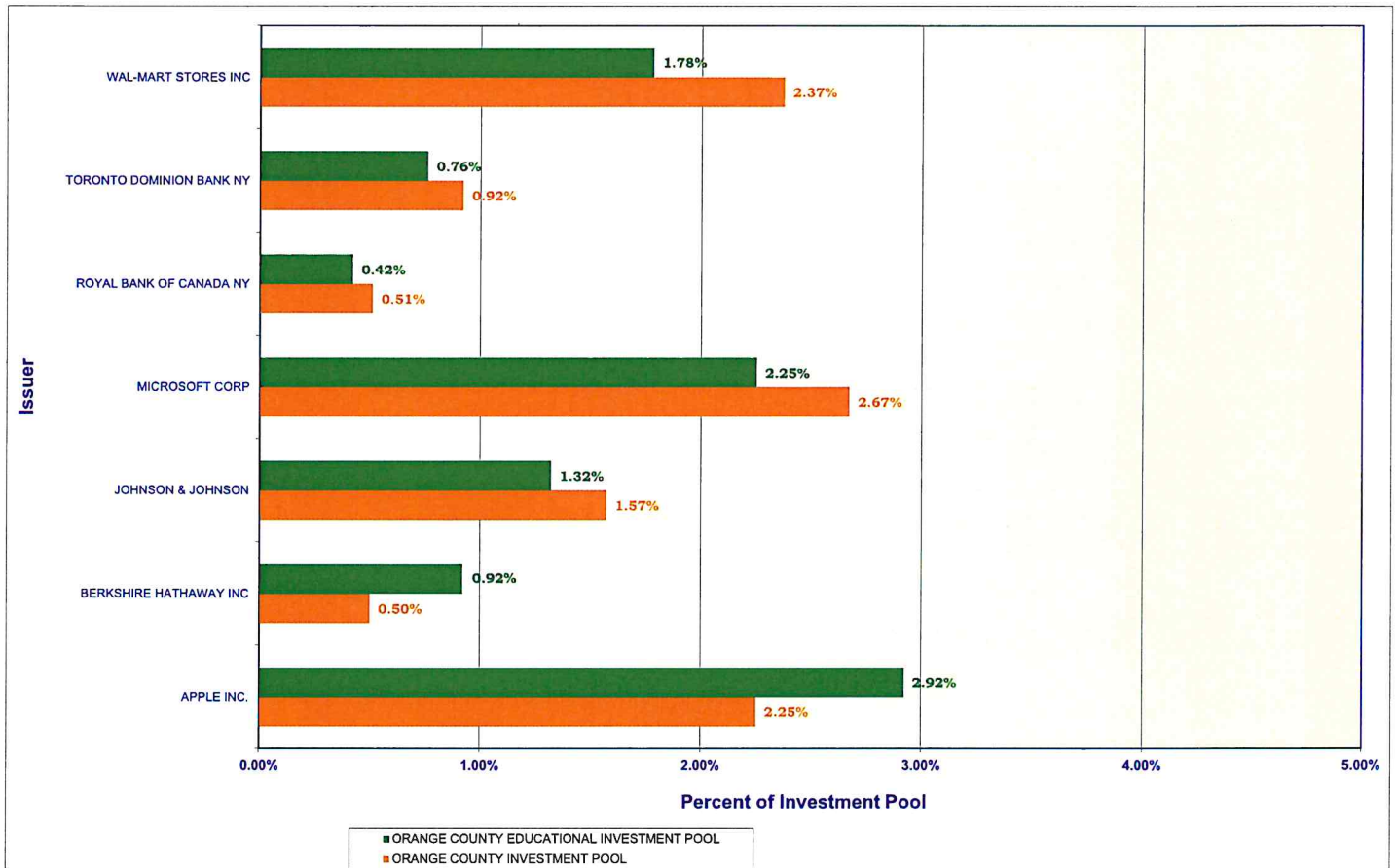
US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds

ORANGE COUNTY TREASURER - TAX COLLECTOR
MEDIUM-TERM NOTES / CERTIFICATES OF DEPOSIT
ISSUER CONCENTRATION-By Investment Pool
 July 31, 2018



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

July 31, 2018

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
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa	AAA
MICROSOFT CORPORATION	A-1+	P-1	F1+	AAA	Aaa	AA+
BERKSHIRE HATHAWAY INC *	A-1+	P-1	NR	AA	Aa2	A+
BERKSHIRE HATHAWAY FINANCE *	NR	NR	NR	NR	Aa2	A+
ISSUERS ON HOLD						
ROYAL BANK OF CANADA NY (JULY, 2016) **	A-1+	P-1	F1+	AA-	Aa2	AA
TORONTO DOMINION BANK NY (MARCH, 2017) ***	A-1+	P-1	F1+	AA-	Aa1	AA-
WALMART INC (JULY, 2018)****	A-1+	P-1	F1+	AA	Aa2	AA
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2018 A	NR	NR	NR	NR	NR	NR
STATE POOL - LOCAL AGENCY INVESTMENT FUND						
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS *****						
NAME OF FUND	S & P	Moody's	Fitch			
INVESCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAm	Aaa-mf	AAAmf			
GOLDMAN SACHS FINANCIAL SQUARE GOVT FUND	AAAm	Aaa-mf	NR			
MORGAN STANLEY INSTITUTIONAL LIQUIDITY FUNDS - GOVT	AAAm	Aaa-mf	NR			
NORTHERN INSTITUTIONAL TREASURY PORTFOLIO	AAAm	NR	NR			

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

** S&P changed its outlook from Negative to Stable on June 27, 2018. Moody's upgraded its L/T issuer credit rating from A1 to Aa2 and changed its outlook from Negative to Stable on July 16, 2018.

*** Moody's upgraded its L/T issuer credit rating from Aa2 to Aa1 and changed its outlook from Negative to Stable on July 16, 2018

**** S&P placed its L/T issuer credit rating on Negative Outlook (S&P - May 9, 2018).

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

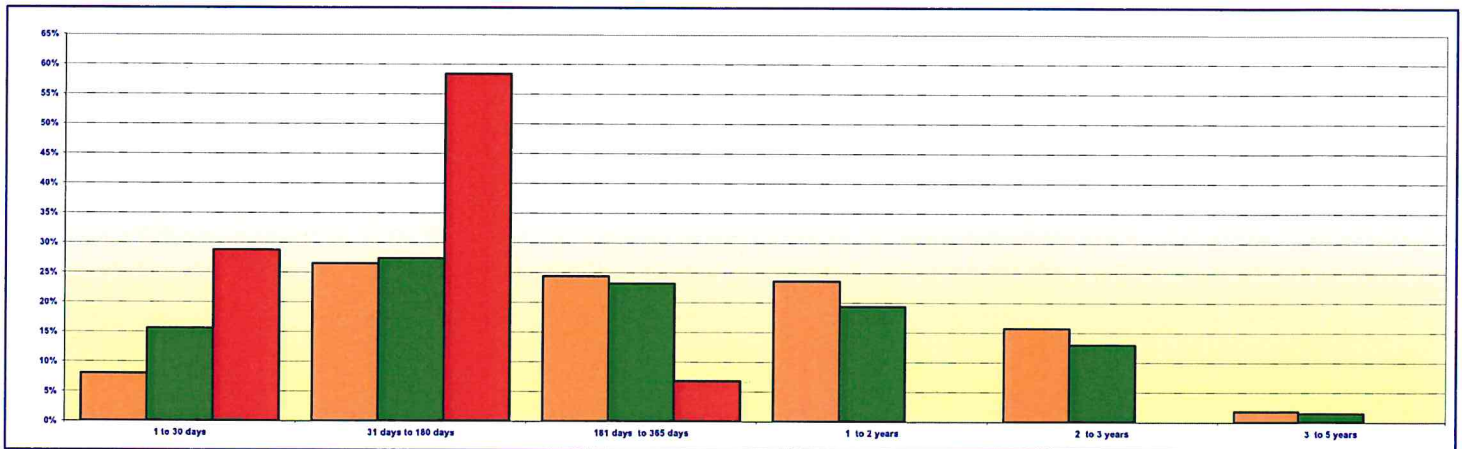
**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended July 31, 2018**

During July, there were six changes made to the Treasurer's Approved Issuer List.

- On July 16, 2018, Moody's upgraded Royal Bank of Canada NY's:
 - Outlook from Negative to Stable
 - L/T issuer rating from A1 to Aa2
- On July 16, 2018, Moody's upgraded Toronto Dominion Bank NY's:
 - Outlook from Negative to Stable
 - L/T issuer rating from Aa2 to Aa1
- In July, the Credit Investment Committee placed Walmart Inc. on hold.
- On July 1, 2018, the Orange County CA Pension Obligation 2017 A was removed as all associated debt matured June 29, 2018.

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
July 31, 2018

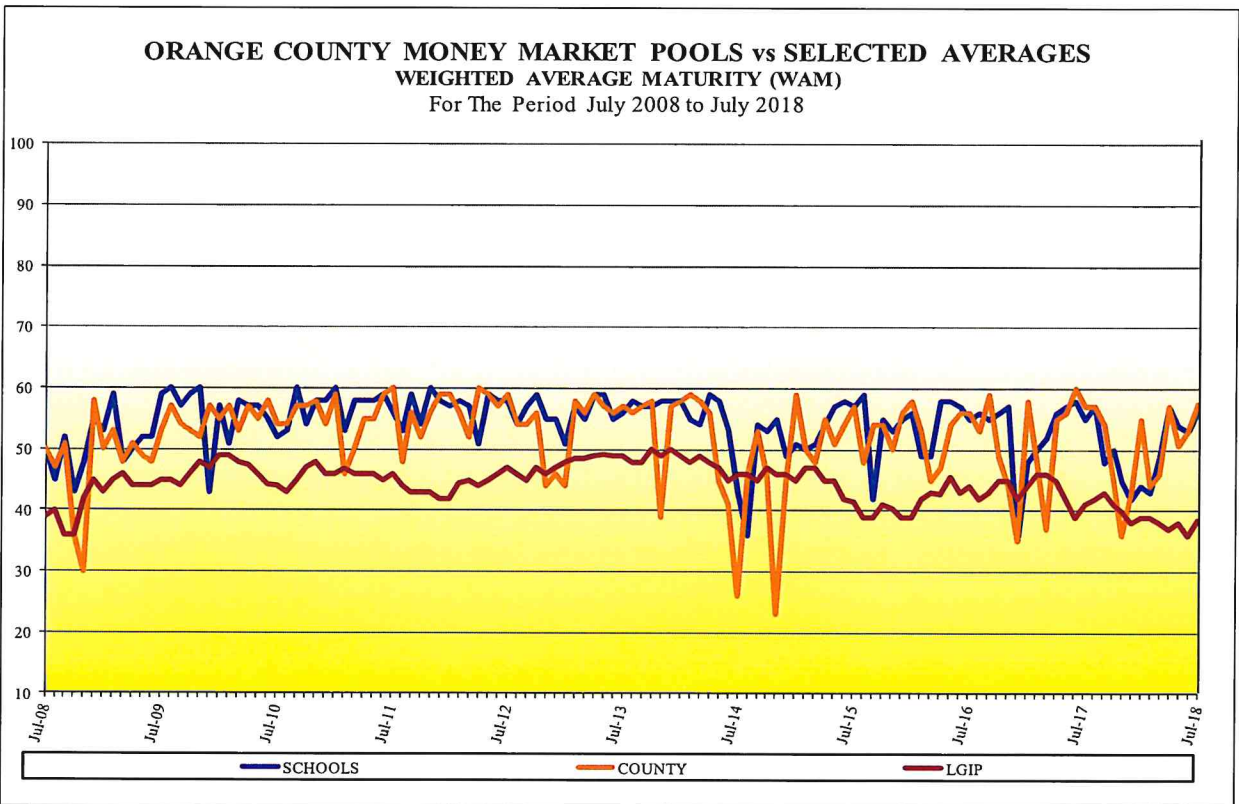
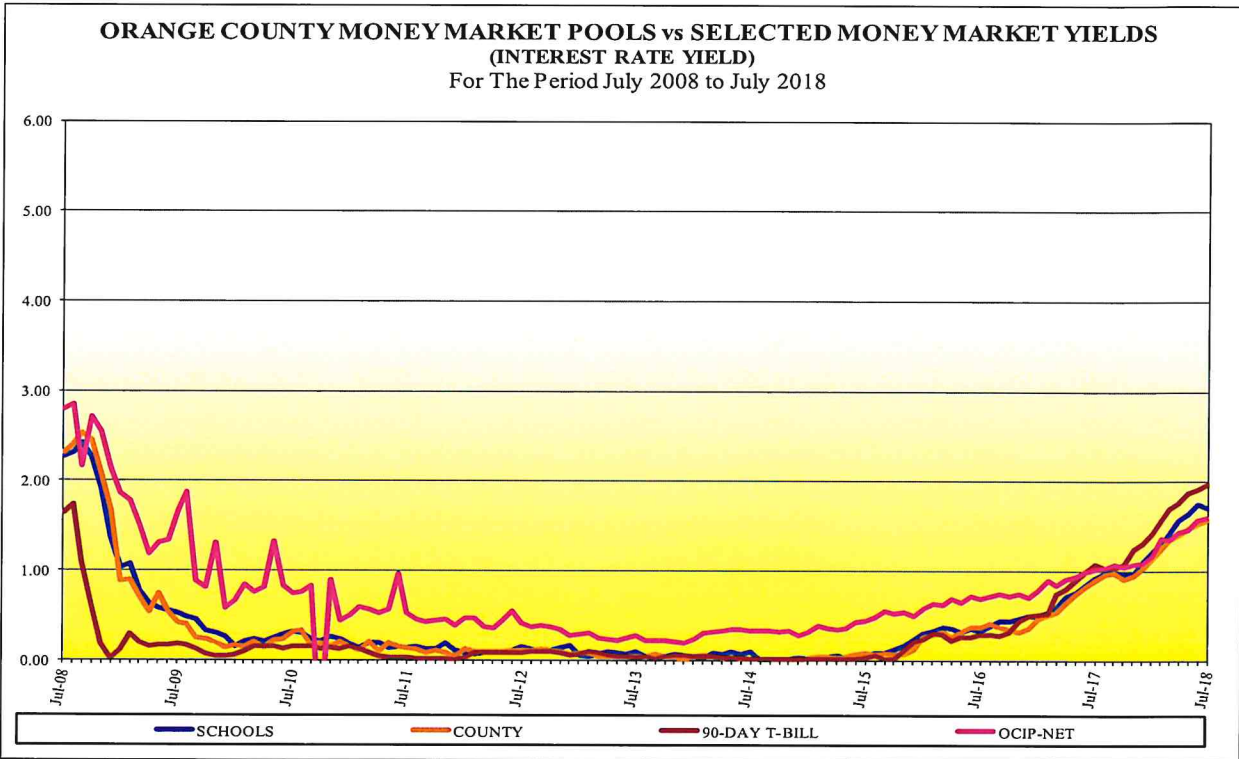


ORANGE COUNTY INVESTMENT POOL			
	In Thousands ¹		%
1 TO 30 DAYS	\$	298,359	8.01%
31 TO 180 DAYS		986,255	26.48%
181 TO 365 DAYS		907,893	24.38%
1 YEAR TO 2 YEARS		877,876	23.57%
2 YEARS TO 3 YEARS		586,056	15.73%
3 YEARS TO 5 YEARS		67,787	1.83%
TOTAL	\$	3,724,226	100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ¹		%
1 TO 30 DAYS	\$	768,028	15.60%
31 TO 180 DAYS		1,347,737	27.38%
181 TO 365 DAYS		1,141,236	23.19%
1 YEAR TO 2 YEARS		952,972	19.36%
2 YEARS TO 3 YEARS		638,358	12.97%
3 YEARS TO 5 YEARS		73,837	1.50%
TOTAL	\$	4,922,168	100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ¹		%
1 TO 30 DAYS	\$	14,764	28.79%
31 TO 180 DAYS		29,925	58.35%
181 TO 365 DAYS		3,500	6.82%
1 YEAR TO 5 YEARS		3,100	6.04%
TOTAL	\$	51,289	100.00%

¹ Maturity Limits are calculated using face value.



•For the Month Ended July 31, 2018, S&P LGIP – 1.93; S&P LGIP WAM -39; 90-Day T-Bill – 1.97; OCIP – Net – 1.58

ORANGE COUNTY TREASURER-TAX COLLECTOR

INVESTMENT POOL YIELDS

August 1, 2017 - July 31, 2018

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month July 2018</i>				
County Pool - Money Market Fund	\$ 519,462,662	\$ 949,885	1.64%	58
Educational Pool - Money Market Fund	\$ 1,430,530,269	\$ 2,265,416	1.77%	56
Extended Fund	\$ 6,644,200,611	\$ 9,464,408	1.65%	432
<i>June 2018</i>				
County Pool - Money Market Fund	\$ 763,523,217	\$ 1,395,560	1.60%	53
Educational Pool - Money Market Fund	\$ 1,586,960,674	\$ 2,142,715	1.81%	53
Extended Fund	\$ 6,600,606,705	\$ 8,820,686	1.60%	419
<i>May 2018</i>				
County Pool - Money Market Fund	\$ 1,271,767,146	\$ 1,895,963	1.54%	51
Educational Pool - Money Market Fund	\$ 1,507,610,060	\$ 2,273,000	1.71%	54
Extended Fund	\$ 6,615,441,734	\$ 8,444,349	1.48%	414
<i>April 2018</i>				
County Pool - Money Market Fund	\$ 1,677,026,990	\$ 2,621,771	1.47%	57
Educational Pool - Money Market Fund	\$ 1,715,592,154	\$ 1,887,341	1.64%	57
Extended Fund	\$ 6,661,112,140	\$ 8,045,347	1.46%	397
<i>March 2018</i>				
County Pool - Money Market Fund	\$ 1,466,459,327	\$ 1,551,676	1.41%	46
Educational Pool - Money Market Fund	\$ 1,149,359,827	\$ 1,585,016	1.48%	49
Extended Fund	\$ 6,652,243,109	\$ 7,957,780	1.40%	415
<i>February 2018</i>				
County Pool - Money Market Fund	\$ 1,396,683,700	\$ 1,284,889	1.32%	44
Educational Pool - Money Market Fund	\$ 1,273,494,829	\$ 1,464,904	1.37%	43
Extended Fund	\$ 6,647,720,511	\$ 7,473,044	1.46%	428
<i>January 2018</i>				
County Pool - Money Market Fund	\$ 1,245,291,533	\$ 1,659,517	1.21%	55
Educational Pool - Money Market Fund	\$ 1,594,050,298	\$ 2,213,711	1.28%	44
Extended Fund	\$ 6,595,804,419	\$ 6,473,087	1.24%	423
<i>December 2017</i>				
County Pool - Money Market Fund	\$ 2,128,947,374	\$ 2,182,701	1.10%	43
Educational Pool - Money Market Fund	\$ 2,136,417,171	\$ 1,446,683	1.17%	42
Extended Fund	\$ 5,906,097,678	\$ 6,050,707	1.18%	375
<i>November 2017</i>				
County Pool - Money Market Fund	\$ 1,459,897,098	\$ 1,124,024	1.02%	36
Educational Pool - Money Market Fund	\$ 1,154,471,530	\$ 889,369	1.03%	45
Extended Fund	\$ 5,996,926,512	\$ 5,910,266	1.19%	399
<i>October 2017</i>				
County Pool - Money Market Fund	\$ 1,387,117,541	\$ 983,038	0.97%	45
Educational Pool - Money Market Fund	\$ 1,008,484,106	\$ 1,026,340	1.03%	50
Extended Fund	\$ 5,975,091,002	\$ 5,972,076	1.17%	416
<i>September 2017</i>				
County Pool - Money Market Fund	\$ 885,572,484	\$ 752,100	1.05%	54
Educational Pool - Money Market Fund	\$ 1,319,525,808	\$ 1,129,853	1.06%	48
Extended Fund	\$ 5,974,063,472	\$ 5,798,039	1.18%	443
<i>August 2017</i>				
County Pool - Money Market Fund	\$ 912,746,691	\$ 748,603	1.03%	57
Educational Pool - Money Market Fund	\$ 1,342,259,072	\$ 1,320,805	1.04%	57
Extended Fund	\$ 5,975,786,893	\$ 5,754,302	1.13%	454
Fiscal Year July 1, 2018 - June 30, 2019	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
Orange County Investment Pool	\$ 3,699,655,626	\$ 5,532,831	1.64%	380
Orange County Educational Investment Pool	\$ 4,894,537,916	\$ 7,146,878	1.68%	323

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING JANUARY 31, 2019

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

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

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

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

The Cash Availability Projection for the six months ending January 31, 2019, 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
July 2018 - Ending Cash				\$ 4,612,176
August	\$ 344,681,037	\$ 441,512,289	\$ 399,128,938	391,676,564
September	292,703,287	377,011,049	373,639,607	687,751,293
October	236,479,276	982,475,626	498,229,831	1,408,476,364
November	158,251,694	1,185,277,842	1,133,616,747	1,618,389,153
December	157,181,934	2,565,809,044	1,845,919,278	2,495,460,853
January	182,518,956	584,029,910	1,320,087,797	1,941,921,922

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
July 2018 - Ending Cash				\$ 11,871,185
August	\$ 1,017,857,598	\$ 264,553,363	\$ 604,262,951	690,019,195
September	417,890,039	566,974,481	607,365,625	1,067,518,090
October	336,761,533	315,686,564	712,298,064	1,007,668,123
November	134,535,266	756,452,721	698,090,277	1,200,565,833
December	111,629,079	1,427,899,972	493,718,171	2,246,376,713
January	218,963,235	634,942,623	933,847,073	2,166,435,498

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended July 31, 2018

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	\$ 9,387,613,004
Cash Receipts:	
County	388,349,635
School and Community College Districts	286,850,058
Total Cash Receipts	675,199,693
Cash Disbursements:	
County	712,764,284
School and Community College Districts	569,347,898
Total Cash Disbursements	1,282,112,182
Net Change in Cost Value of Pooled Assets	(606,912,489)
Net Increase in Non-Pooled Investments	218,168
Net Increase in Non-Pooled Cash	158,050
Treasurer's Accountability at the End of the Period:	\$ 8,781,076,733
Assets in the Treasury at the End of the Period (at Cost Value):	
Pooled Investments:	
Orange County Investment Pool	\$ 3,721,709,436
Orange County Educational Investment Pool	4,917,722,470
Total Pooled Investments	8,639,431,906
Non-Pooled Investments:	
Non-Pooled Investments - John Wayne Airport	51,135,133
Non-Pooled Investments - Fountain Valley School District Fund 40	34,790,770
Non-Pooled Investments - CCCD Series 2017E Bonds	20,235,827
Non-Pooled Investments - Other ⁽¹⁾	1,081,500
Total Non-Pooled Investments	107,243,230
Cash:	
Cash in banks - County	4,583,948
Cash in banks - Schools	11,871,185
Cash in banks - OC Sheriff	15,718,756
Cash in banks - John Wayne Airport	2,199,480
Cash - Other	28,228
Total Cash	34,401,597
Total Assets in the Treasury at the End of the Period:	\$ 8,781,076,733

⁽¹⁾ This investment was liquidated July 9, 2018, but not recorded in the County books until August, 2018. The related bonds, Series A of 1997 Special Tax Bonds of Community Facilities District No. 87-4 (Foothill Ranch), were paid off August 15, 2018.

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
July 31, 2018**

Investment Policy (IPS) Guidelines		Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Fund	
Diversification Limit	Investment Type	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
100%	U.S. Treasuries Securities	\$ 131,171,908	25.25%	\$ 1,800,838,640	27.10%	\$ 567,986,816	39.70%	\$ 34,042,382	66.50%
100%	U.S. Government Agency Securities	270,875,432	52.15%	3,730,742,873	56.15%	700,104,523	48.94%	15,098,898	29.50%
30%	Municipal Debt	-	0.00%	356,645,565	5.37%	-	0.00%	-	0.00%
30%	Medium-Term Notes	42,140,522	8.11%	635,443,822	9.56%	118,817,863	8.31%	-	0.00%
40%	Banker Acceptances	-	0.00%	-	0.00%	-	0.00%	-	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Negotiable Certificates of Deposits	-	0.00%	110,760,840	1.67%	-	0.00%	-	0.00%
\$65MM	Local Agency Investment Fund (LAIF)	-	0.00%	9,768,871	0.15%	-	0.00%	-	0.00%
20%	Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%	-	0.00%
20%	Money Market Mutual Funds (MMMFs)	75,274,800	14.49%	-	0.00%	43,621,067	3.05%	2,048,518	4.00%
20%	Investment Pools	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
		\$ 519,462,662	100.00%	\$ 6,644,200,611	100.00%	\$ 1,430,530,269	100.00%	\$ 51,189,798	100.00%

Investment Policy (IPS) Guidelines	Compliance Category (Yes/No)	Orange County Money Market Fund	Extended Fund	Orange County Educational Money Market Fund	John Wayne Airport Investment Fund
5%	Percentage Limits				
20%	Issuer Limit	Yes	Yes	Yes	Yes
50%	Money Market Mutual Fund Issuer	No ⁽²⁾	N/A	Yes ⁽²⁾	Yes
See Above	Government Agencies Issuer	Yes ⁽⁴⁾	Yes ⁽⁴⁾	Yes ⁽⁴⁾	Yes ⁽⁴⁾
	Diversification Limit	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits				
90 Days	Weighted Average Maturity - Money Market Fund	No/57.55 ⁽⁵⁾	N/A	Yes/56.31	N/A
>Merrill 1-3 Year Index+25% (2.30)	Weighted Average Maturity - JWA Investment Fund	N/A	N/A	N/A	Yes/81.53
13 Months/397 days	Duration ⁽⁵⁾	N/A	Yes/1.17	N/A	N/A
15 Months/458 days	Final Maturity - Money Market Fund	Yes/380	N/A	Yes/353	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	Yes/422
	Final Maturity - Extended Fund	N/A	Yes/1448	N/A	N/A
A-1/≥ A	Rating Limits				
≥ A-1/P-1/F2	Money Market Fund Short Term/Long Term	Yes	N/A	Yes	Yes
A-1/≥ AA ⁽²⁾	Short Term Debt/No Split Ratings	Yes	N/A	Yes	Yes
Approved Issuer List	Extended Fund Short Term/Long Term	N/A	Yes	N/A	N/A
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes
0.995 - 1.005	Authorized Financial Dealer/Institution	Yes	Yes	Yes	Yes
	Net Asset Value - Money Market Fund and JWA	Yes/1.0001	N/A	Yes/1.0000	Yes/1.0008

(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 the 2018 IPS policy approved by the Board of Supervisors on November 14, 2017 effective on January 1, 2018.

(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 per IPS for the Extended Fund and the JWA Investment Fund and from the Rating Agency limit of 33% for the two Money Market Funds.

(5) IPS states all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%. Duration provided above (1.17) is a modified duration, which does not take into consideration all embedded options such as callable bonds. This presentation is not considered materially different from the effective duration requirement specified in IPS.

(6) Percentage of MMMFs for the County of Orange was 21.24% on July 30, 2018 exceeding the 20% IPS limit. On July 31, 2018, percentage of MMMFs was at 14.49% and back in compliance with the IPS.

(7) WAM for the County of Orange was 65.11 on July 30, 2018 exceeding the 60 day IPS limit. On July 31, 2018, WAM was at 57.55 days and back in compliance with the IPS.

N/A 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
July 31, 2018

COMPLIANCE CATEGORY	RESPONSIBLE PARTY	REGULATORY/POLICY GUIDELINES	CURRENT STATUS
Annual Compliance Audit	TOC	Performance Evaluation-Cal Govt. Code 27134	Calendar year 2016 and six months ended 6/30/17 in progress.
Quarterly Schedule of Assets Review	AC	Performance Evaluation-Cal Govt. Code 26920(a)	March 31, 2018 in progress.
Annual Schedule of Assets Audit	AC	Performance Evaluation-Cal Govt. Code 26920(b)	June 30, 2017 in progress.
Quarterly Continuous Compliance Auditing	TOC	TOC Directive	June 30, 2018 in progress.
Investment Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	FY 16/17 and FY 17/18 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Calendar year 2017 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2018 IPS certifications received for active approved brokers.
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions/Form 700	FY 18/19 identified two compliance incidents as of July 31, 2018
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made one change at the October 18, 2017 meeting. The BOS approved on November 14, 2017.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the October 18, 2017 meeting and did not make any additional changes. The BOS approved on November 14, 2017.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2017 Annual Report was presented to BOS meeting on February 27, 2018.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on October 18, 2017.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for calendar year 2018.
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 2017.

LEGEND	
Auditor-Controller	AC
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 July 31, 2018

During July, the Orange County Educational Investment Pool (OCEIP) did not have any IPS compliance deficiencies. However, on July 30, 2018 the Orange County Investment Pool's (OCIP) short-term pool, the Orange County Money Market Fund (OCMMF), had two IPS compliance deficiencies.

Compliance Deficiency

Orange County Investment Pool

07-30-2018 (1) OCIP (in its short-term pool OCMMF) had 21.42% in the Money Market Mutual Funds (MMMF) investment category violating Section VIII.1 that has a 20% limit. (2) OCIP (in its short-term pool OCMMF) had a weighted average maturity (WAM) of 65.11 days violating Section VIII.2 (a) that has a 60 day limit on the WAM of any short-term pool.

The violations were cured by selling MMMF holdings on the next business day, and the portfolio was back in compliance on July 31st. These exceptions were detected on July 30th by the County Treasurer. The County Treasurer is reviewing the investment processes in order to strengthen the system so that they do not happen again.

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
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
Independent Review
In-Home Supportive Services
John Wayne Airport
OC Community Resources
OC Dana Point Harbor
OC Public Works
OC Waste & Recycling
Performance Audit
Probation
Public Defender
Registrar of Voters
Sheriff-Coroner
Social Services Agency

County Agencies

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

State of California

CDIAC
Superior Court

Orange County School Districts

Orange County Department of Education
Anaheim City School District
Anaheim Union High School District
Brea-Olinda Unified School District
Buena Park School District
Capistrano Unified School District
Centralia School District

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

Orange County Community College Districts (CCD)

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

Orange County Regional Occupational Programs (ROP)

Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

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



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - July 2018

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending July 31, 2018. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of July 31, 2018, 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 2.65 percent.

The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

OCTA's debt portfolio had an outstanding principal balance of \$578.8 million as of July 31, 2018. Approximately 54 percent of the outstanding balance is comprised of Measure M2 debt, 18 percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending July 31, 2018.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending July 31, 2018.

Prepared by:



Jennifer Matano
Department Manager
Treasury/Public Finance
(714) 560-5563

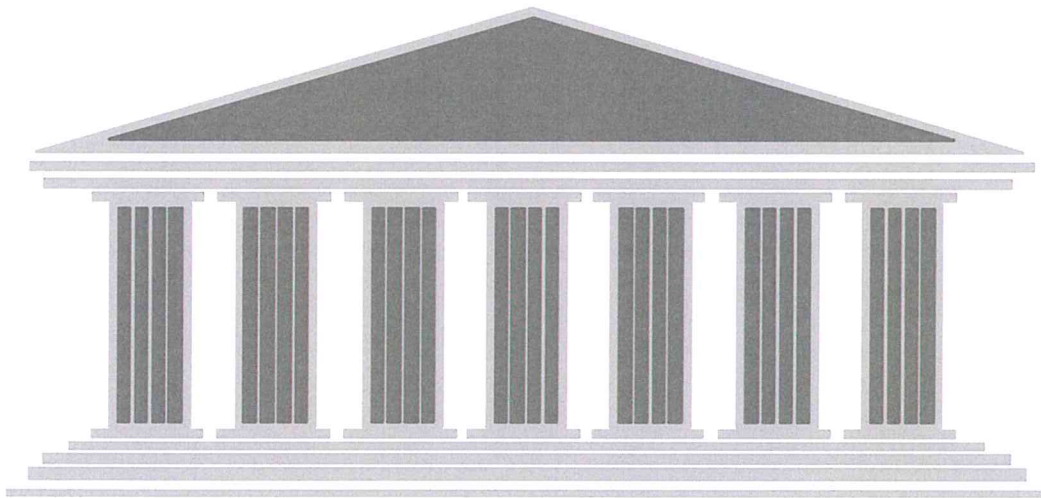
Approved by:



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

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

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



**Presented to the
Finance and Administration Committee**

**For The Period Ending
July 31, 2018**

INVESTMENT PROGRAM

Investment Profile

7/31/2018

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
Logan Circle Partners	Union Bank	Custodian	Short-Term Operating	346.8
Chandler Asset Management	Union Bank	Custodian	Short-Term Operating	346.5
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	347.4
Public Financial Management (PFM)	Union Bank	Custodian	Short-Term Operating	347.3
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.4
Orange County Treasurer	OCIP	Custodian	Legal Requirement	14.1
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	41.0
OCTA	Bank of the West	Broker	Liquid	7.9
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	11.0
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				0.3
TOTAL				\$1,485.8

Short-Term Portfolio - \$1.39 Billion

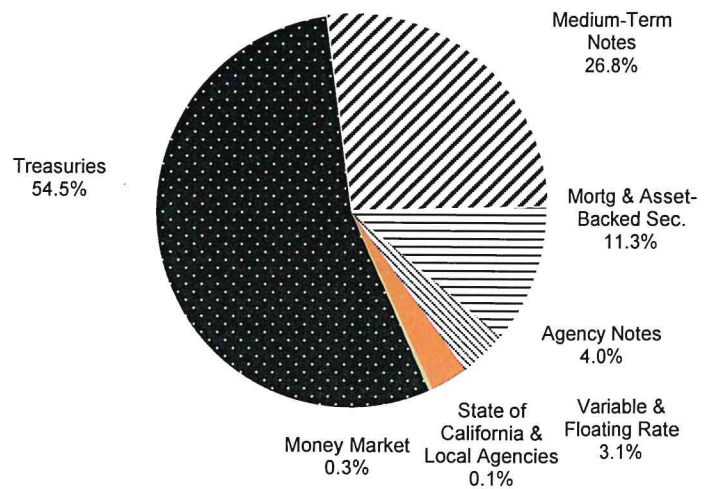
As of 7/31/18

Part 1 of 2

Logan Circle Partners

Book Value \$ 346,812,361

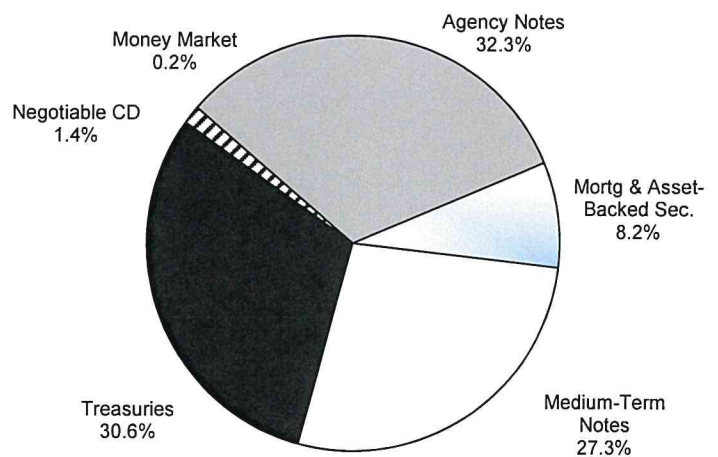
Market Value \$ 342,425,952



Chandler Asset Management

Book Value \$ 346,456,553

Market Value \$ 342,489,924



Market Value Reported By Custodial Bank

Short-Term Portfolio - \$1.39 Billion

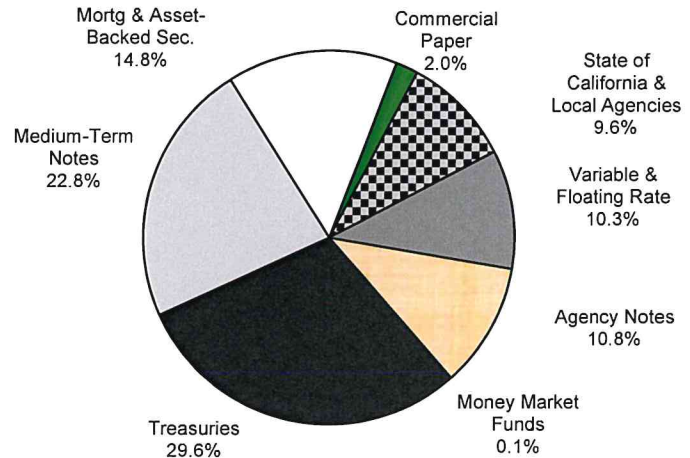
As of 7/31/18

Part 2 of 2

Payden & Rygel

Book Value \$ 347,420,972

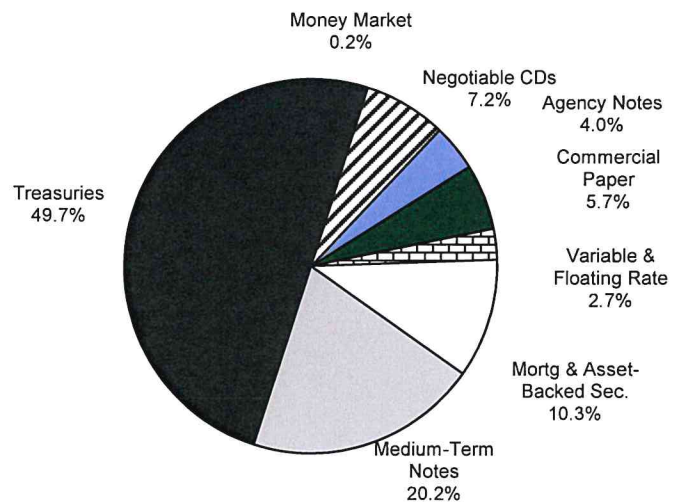
Market Value \$ 344,313,176



Public Financial Management (PFM)

Book Value \$ 347,311,215

Market Value \$ 343,718,770



Market Value Reported By Custodial Bank

Short-Term Portfolio Maturity Schedule

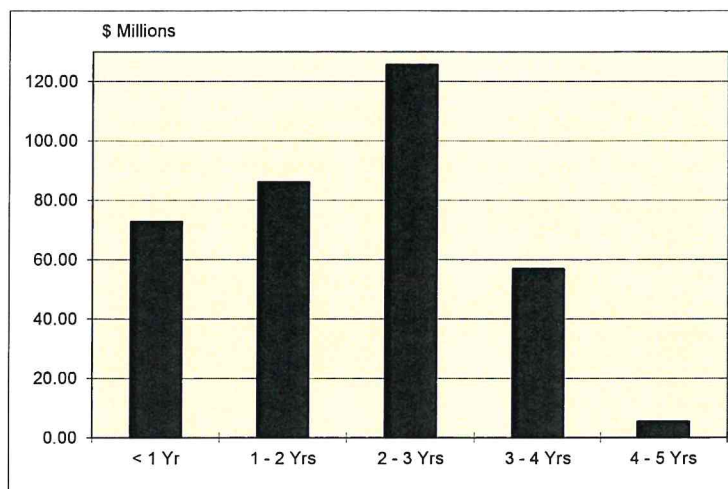
As of 7/31/18

Logan Circle Partners (\$346.8 M)

Monthly Return 0.06%
 TSY Benchmark -0.01%
 Gov/Corp Benchmark 0.04%

Fiscal YTD Return 0.06%
 TSY Benchmark -0.01%
 Gov/Corp Benchmark 0.04%

12 Month Return 0.22%
 TSY Benchmark -0.14%
 Gov/Corp Benchmark 0.00%

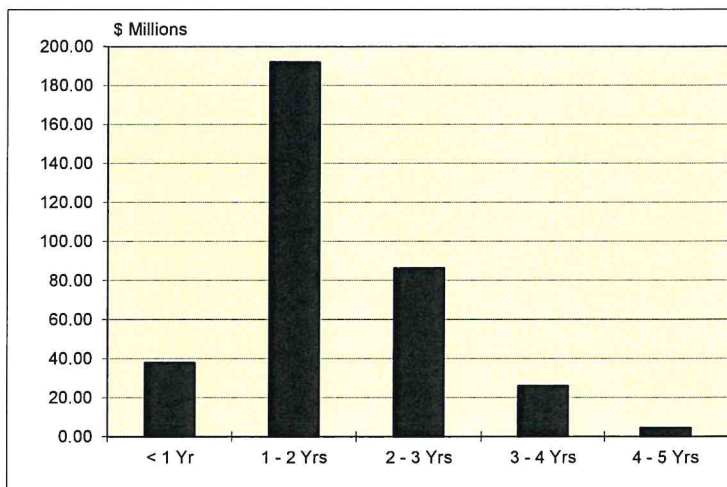


Chandler Asset Management (\$346.5 M)

Monthly Return 0.09%
 Benchmark Comparison -0.01%
 Gov/Corp Benchmark 0.04%

Fiscal YTD Return 0.09%
 TSY Benchmark -0.01%
 Gov/Corp Benchmark 0.04%

12 Month Return 0.12%
 TSY Benchmark -0.14%
 Gov/Corp Benchmark 0.00%

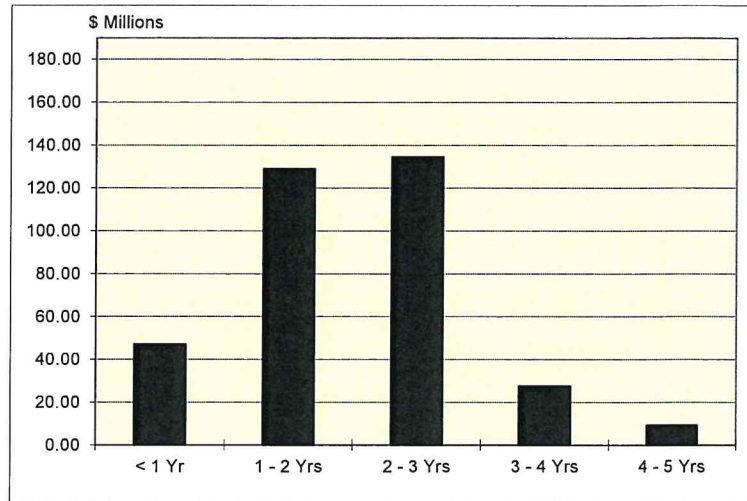


Yield Curve Change From 6/30/18 to 7/31/18			
	6/30/18	7/31/18	Change
1 Year	2.314%	2.414%	0.1000%
2 Year	2.530%	2.671%	0.1410%
3 Year	2.623%	2.768%	0.1450%
5 Year	2.739%	2.849%	0.1100%
30 Year	3.051%	3.083%	0.0320%

Short-Term Portfolio Maturity Schedule As of 7/31/18

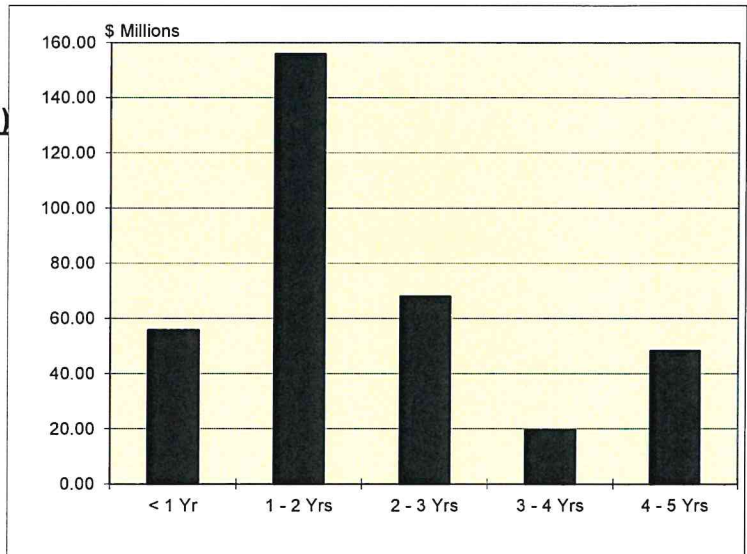
Payden & Rygel (\$347.4 M)

Monthly Return	0.12%
TSY Benchmark	-0.01%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	0.12%
TSY Benchmark	-0.01%
Gov/Corp Benchmark	0.04%
12 Month Return	0.47%
TSY Benchmark	-0.14%
Gov/Corp Benchmark	0.00%



Public Financial Management (\$347.3 M)

Monthly Return	0.08%
TSY Benchmark	-0.01%
Gov/Corp Benchmark	0.04%
Fiscal YTD Return	0.08%
TSY Benchmark	-0.01%
Gov/Corp Benchmark	0.04%
12 Month Return	0.18%
TSY Benchmark	-0.14%
Gov/Corp Benchmark	0.00%

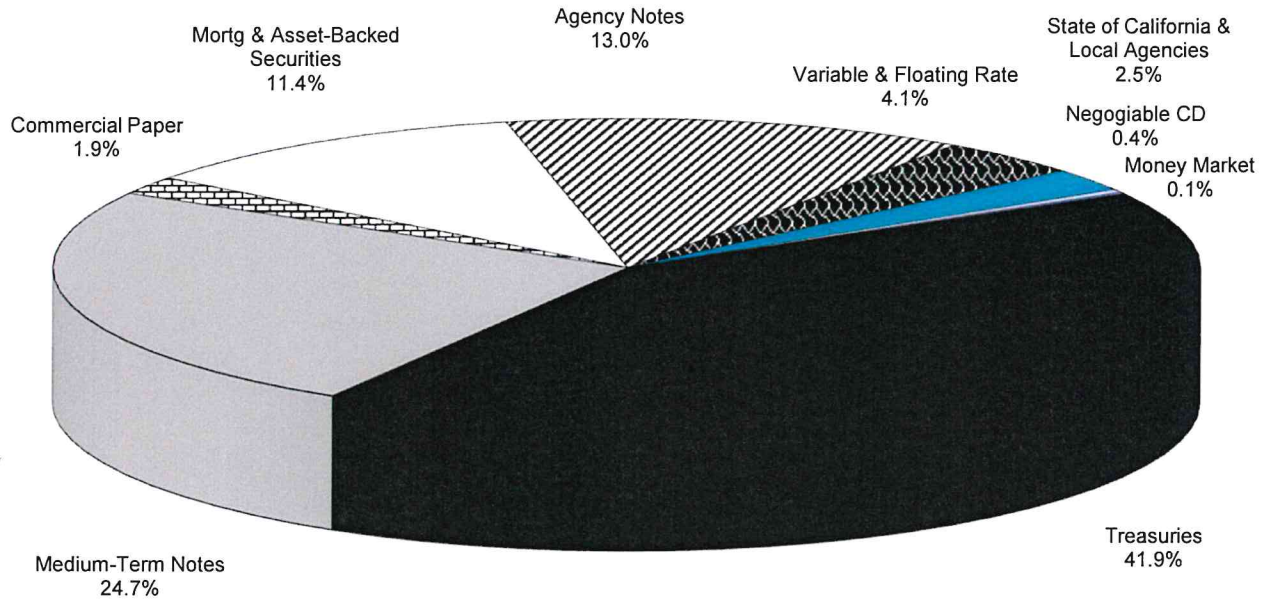


Yield Curve Change From 6/30/18 to 7/31/18			
	6/30/18	7/31/18	Change
1 Year	2.314%	2.414%	0.1000%
2 Year	2.530%	2.671%	0.1410%
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5 Year	2.739%	2.849%	0.1100%
30 Year	3.051%	3.083%	0.0320%

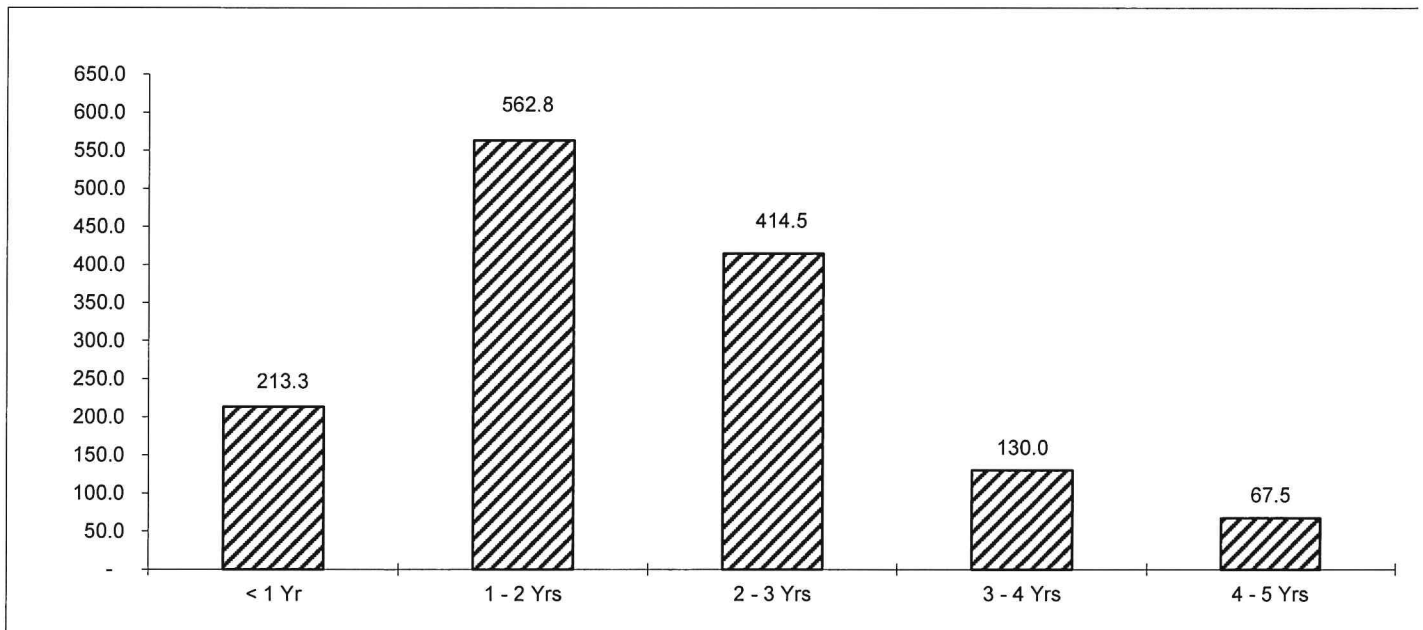
Short-Term Portfolio

As of 7/31/18

Total Portfolio Composition



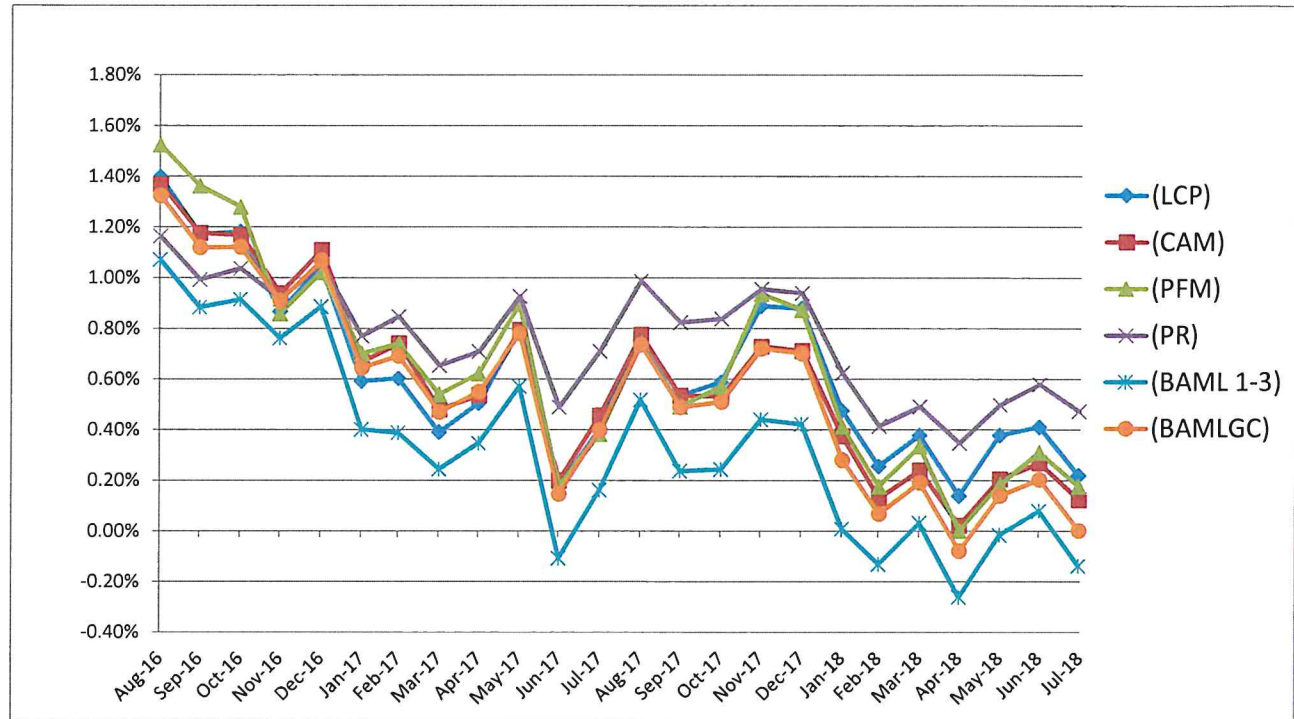
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 7/31/18

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

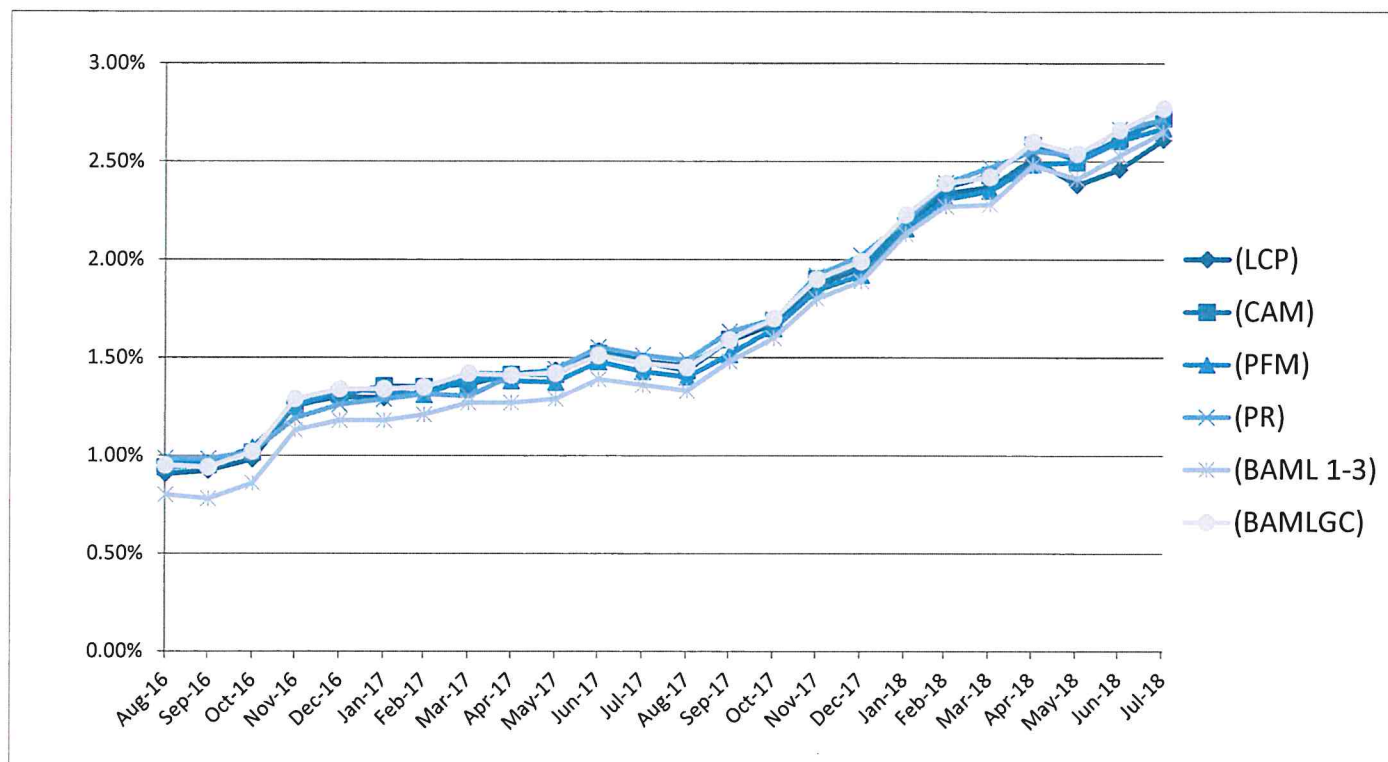


	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	ICE/ BAML 1-3 Yr Gov/Corp (BAMLGC)
Aug-16	1.40%	1.37%	1.52%	1.16%	1.07%	1.32%
Sep-16	1.17%	1.18%	1.36%	0.99%	0.88%	1.12%
Oct-16	1.18%	1.17%	1.28%	1.04%	0.92%	1.12%
Nov-16	0.87%	0.94%	0.86%	0.92%	0.76%	0.91%
Dec-16	1.04%	1.11%	1.02%	1.05%	0.89%	1.07%
Jan-17	0.59%	0.67%	0.70%	0.77%	0.40%	0.65%
Feb-17	0.60%	0.74%	0.74%	0.85%	0.39%	0.69%
Mar-17	0.39%	0.48%	0.54%	0.65%	0.25%	0.47%
Apr-17	0.51%	0.54%	0.62%	0.71%	0.35%	0.55%
May-17	0.79%	0.80%	0.90%	0.93%	0.57%	0.78%
Jun-17	0.17%	0.20%	0.18%	0.49%	-0.11%	0.15%
Jul-17	0.40%	0.46%	0.38%	0.71%	0.16%	0.40%
Aug-17	0.76%	0.78%	0.74%	0.99%	0.52%	0.74%
Sep-17	0.54%	0.54%	0.49%	0.82%	0.24%	0.49%
Oct-17	0.59%	0.53%	0.57%	0.84%	0.24%	0.51%
Nov-17	0.89%	0.73%	0.94%	0.96%	0.44%	0.72%
Dec-17	0.88%	0.71%	0.87%	0.94%	0.42%	0.70%
Jan-18	0.48%	0.38%	0.41%	0.62%	0.01%	0.28%
Feb-18	0.26%	0.13%	0.18%	0.42%	-0.13%	0.07%
Mar-18	0.38%	0.24%	0.34%	0.49%	0.03%	0.19%
Apr-18	0.14%	0.02%	0.00%	0.35%	-0.26%	-0.08%
May-18	0.38%	0.21%	0.18%	0.50%	-0.02%	0.14%
Jun-18	0.41%	0.27%	0.31%	0.58%	0.08%	0.20%
Jul-18	0.22%	0.12%	0.18%	0.47%	-0.14%	0.00%

Comparative Yield Performance

As of 7/31/18

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



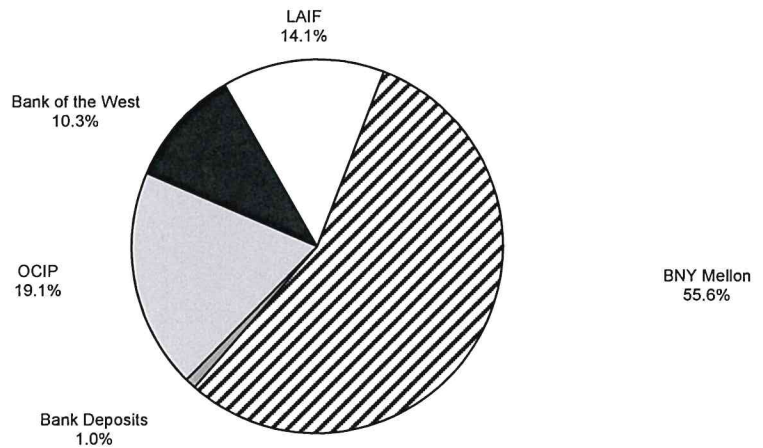
	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/ BAML 1-3 Yr Trsy (BAML 1-3)	ICE/ BAML 1-3 Yr Gov/Corp (BAMLGC)
Aug-16	0.91%	0.94%	0.96%	0.99%	0.80%	0.95%
Sep-16	0.92%	0.95%	0.96%	0.98%	0.78%	0.94%
Oct-16	0.98%	1.02%	1.04%	1.02%	0.86%	1.02%
Nov-16	1.26%	1.25%	1.25%	1.19%	1.13%	1.29%
Dec-16	1.30%	1.31%	1.34%	1.26%	1.18%	1.34%
Jan-17	1.29%	1.36%	1.33%	1.29%	1.18%	1.34%
Feb-17	1.32%	1.35%	1.31%	1.31%	1.21%	1.35%
Mar-17	1.42%	1.36%	1.39%	1.30%	1.27%	1.42%
Apr-17	1.42%	1.41%	1.38%	1.41%	1.27%	1.41%
May-17	1.44%	1.42%	1.37%	1.44%	1.29%	1.42%
Jun-17	1.54%	1.52%	1.48%	1.55%	1.39%	1.51%
Jul-17	1.48%	1.48%	1.43%	1.51%	1.36%	1.47%
Aug-17	1.46%	1.44%	1.40%	1.49%	1.33%	1.45%
Sep-17	1.59%	1.59%	1.52%	1.63%	1.48%	1.59%
Oct-17	1.67%	1.69%	1.65%	1.70%	1.60%	1.70%
Nov-17	1.87%	1.90%	1.84%	1.92%	1.80%	1.90%
Dec-17	1.96%	1.97%	1.92%	2.02%	1.89%	1.99%
Jan-18	2.18%	2.19%	2.16%	2.20%	2.13%	2.23%
Feb-18	2.34%	2.37%	2.31%	2.39%	2.27%	2.39%
Mar-18	2.37%	2.43%	2.35%	2.47%	2.28%	2.42%
Apr-18	2.51%	2.58%	2.48%	2.55%	2.48%	2.60%
May-18	2.38%	2.51%	2.50%	2.53%	2.41%	2.54%
Jun-18	2.46%	2.62%	2.60%	2.66%	2.53%	2.66%
Jul-18	2.61%	2.72%	2.67%	2.72%	2.65%	2.77%

Liquid Funds Portfolio - \$73.7 M

As of 7/31/18

Other Liquid Funds

Book Value	\$	73,740,592
Market Value	\$	73,740,592



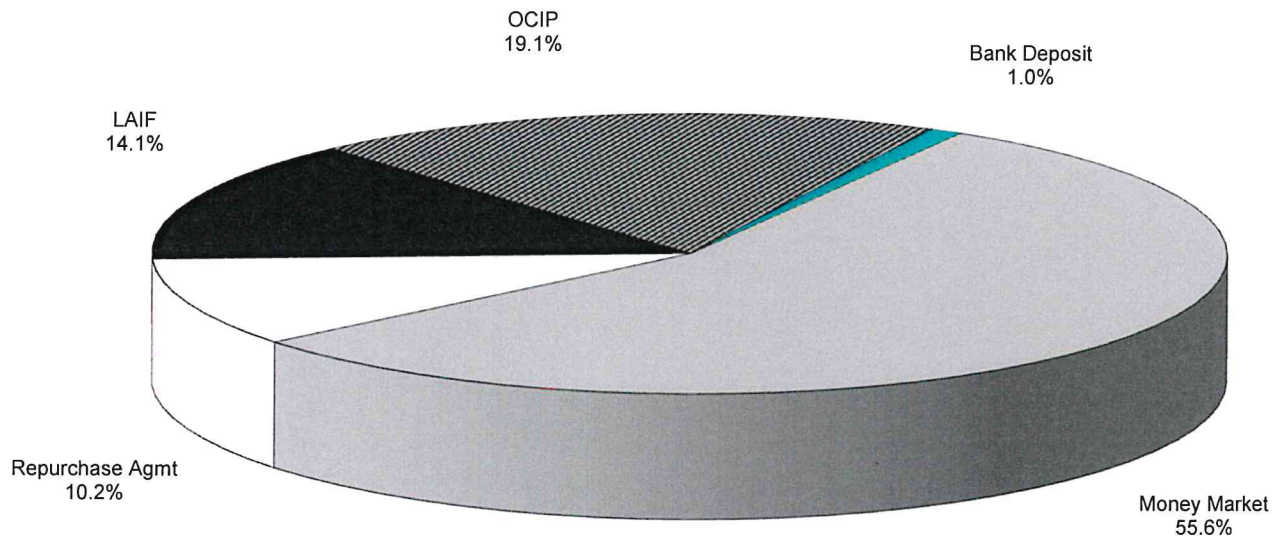
Yield Curve Change From 5/31/18 to 6/30/18			
	<u>6/30/18</u>	<u>7/31/18</u>	<u>Change</u>
1 Month	1.748%	1.891%	0.1430%
3 Month	1.917%	2.023%	0.1060%
6 Month	2.109%	2.194%	0.0850%

Market Value Reported By Custodial Bank

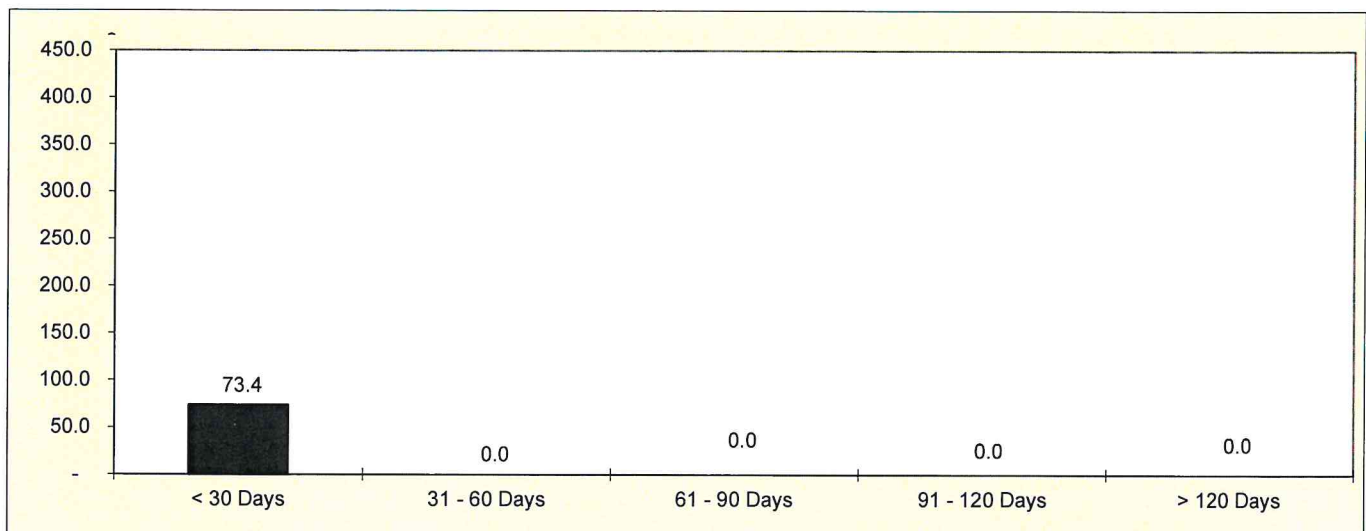
Liquid Portfolio

As of 7/31/18

Total Portfolio Composition



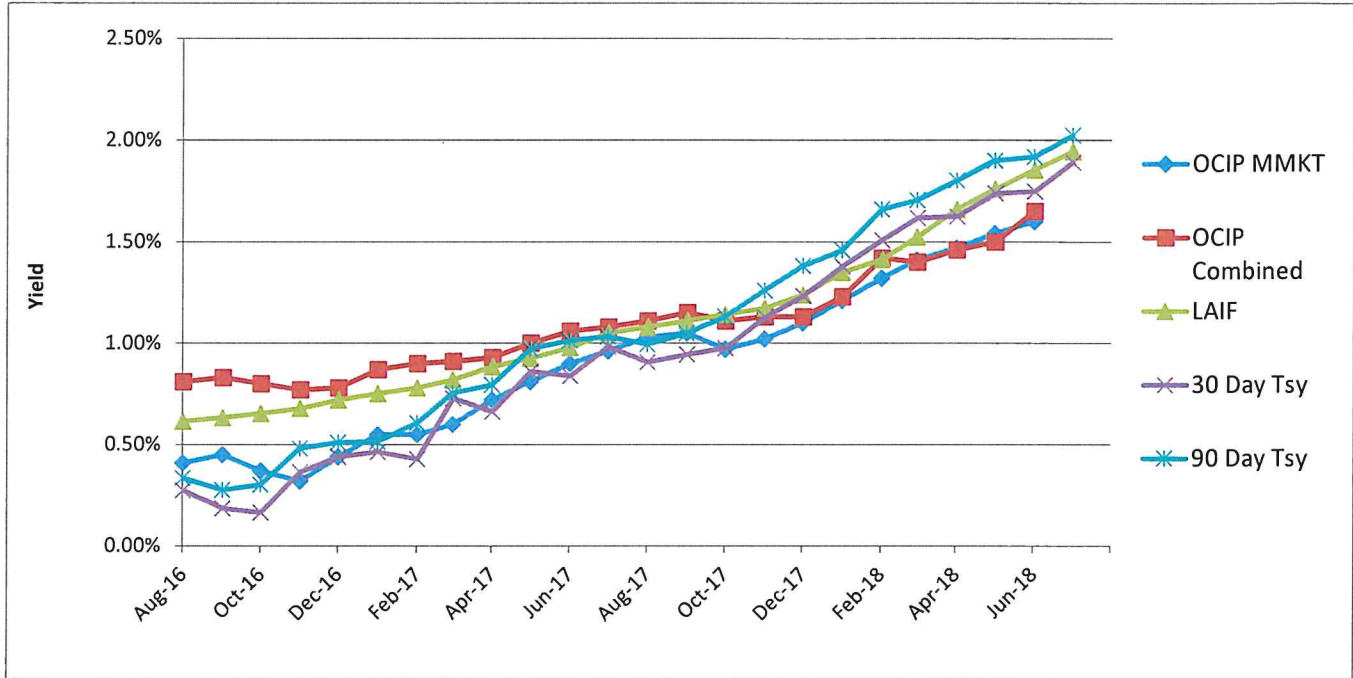
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 7/31/18

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



	<u>OCIP MMKT</u>	<u>OCIP Combined</u>	<u>LAIF</u>	<u>30 Day Tsy</u>	<u>90 Day Tsy</u>
Aug-16	0.41%	0.81%	0.61%	0.27%	0.34%
Sep-16	0.45%	0.83%	0.63%	0.19%	0.28%
Oct-16	0.37%	0.80%	0.65%	0.17%	0.30%
Nov-16	0.32%	0.77%	0.68%	0.37%	0.48%
Dec-16	0.44%	0.78%	0.72%	0.44%	0.51%
Jan-17	0.55%	0.87%	0.75%	0.46%	0.52%
Feb-17	0.55%	0.90%	0.78%	0.43%	0.61%
Mar-17	0.60%	0.91%	0.82%	0.73%	0.75%
Apr-17	0.72%	0.93%	0.88%	0.66%	0.80%
May-17	0.81%	1.00%	0.93%	0.86%	0.97%
Jun-17	0.90%	1.06%	0.98%	0.84%	1.01%
Jul-17	0.96%	1.08%	1.05%	0.98%	1.03%
Aug-17	1.03%	1.11%	1.08%	0.91%	0.99%
Sep-17	1.05%	1.15%	1.11%	0.94%	1.05%
Oct-17	0.97%	1.11%	1.14%	0.98%	1.13%
Nov-17	1.02%	1.13%	1.17%	1.13%	1.26%
Dec-17	1.10%	1.13%	1.24%	1.23%	1.38%
Jan-18	1.21%	1.23%	1.35%	1.38%	1.46%
Feb-18	1.32%	1.42%	1.41%	1.51%	1.66%
Mar-18	1.41%	1.40%	1.52%	1.62%	1.71%
Apr-18	1.47%	1.46%	1.66%	1.62%	1.80%
May-18	1.54%	1.50%	1.76%	1.74%	1.90%
Jun-18	1.60%	1.65%	1.85%	1.75%	1.92%
Jul-18	N/A	N/A	1.94%	1.89%	2.02%

Investment Policy Compliance

As of 7/31/18

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	570,754,563	38.4%	100%
Federal Agencies & U.S. Government Sponsored *	177,452,941	11.9%	100%
State of California & Local Agencies	33,758,716	2.3%	25%
Money Market Funds & Mutual Funds	43,301,797	2.9%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	29,983,811	2.0%	30%
Commercial Paper	50,558,205	3.4%	25%
Medium Term Maturity Corporate Securities	336,725,977	22.7%	30%
Mortgage and Asset-backed Securities	154,967,042	10.4%	10%
Repurchase Agreements	7,525,253	0.5%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,424,157	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	14,054,399	0.9%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	55,537,161	3.7%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	702,714	0.0%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,485,746,737	100.0%	

* See attached page for a detailed listing of this category

Investment Policy Compliance

As of 7/31/18

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)	66,635,568	4.5%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	56,161,830	3.8%	35%
Federal Farm Credit Bank (FFCB)	20,800,936	1.4%	35%
Federal National Mortgage Association (FNMA)	49,094,642	3.3%	35%
	192,692,976 *	13.0%	

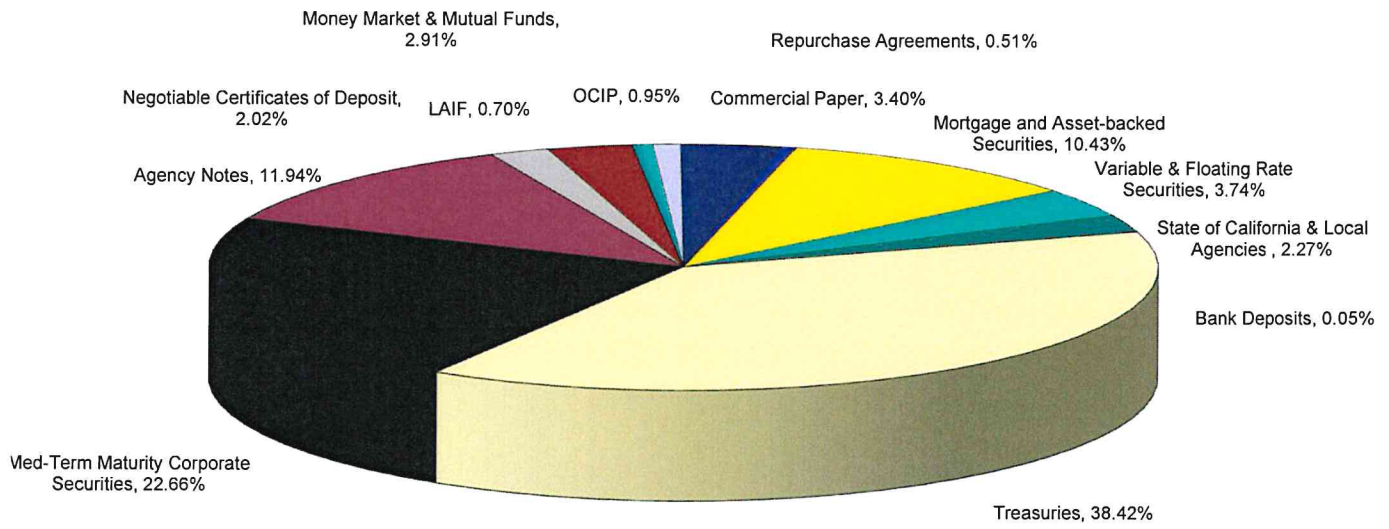
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	397	0.0%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	2,267,729	0.2%
Fidelity Treasury Obligations MMF	14,598,244	1.0%
Federated Treasury Obligations Fund	<u>26,435,427</u>	<u>1.8%</u>
	43,301,797	2.9%

Investment Allocation

As of 7/31/18



Negative Credit Watch

As of 7/31/18

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

<i>General Electric Company</i>	1,230,000	Various*	A	A2	A
On June 26, 2018, Standard & Poor's placed the long-term ratings of General Electric under review for possible downgrade.					

<i>GE Cap. Int. Funding Co.</i>	1,760,000	11/15/2020	A	A2	A
On June 26, 2018, Standard & Poor's placed the long-term ratings of GE Capital under review for possible downgrade.					

Logan Circle Partners

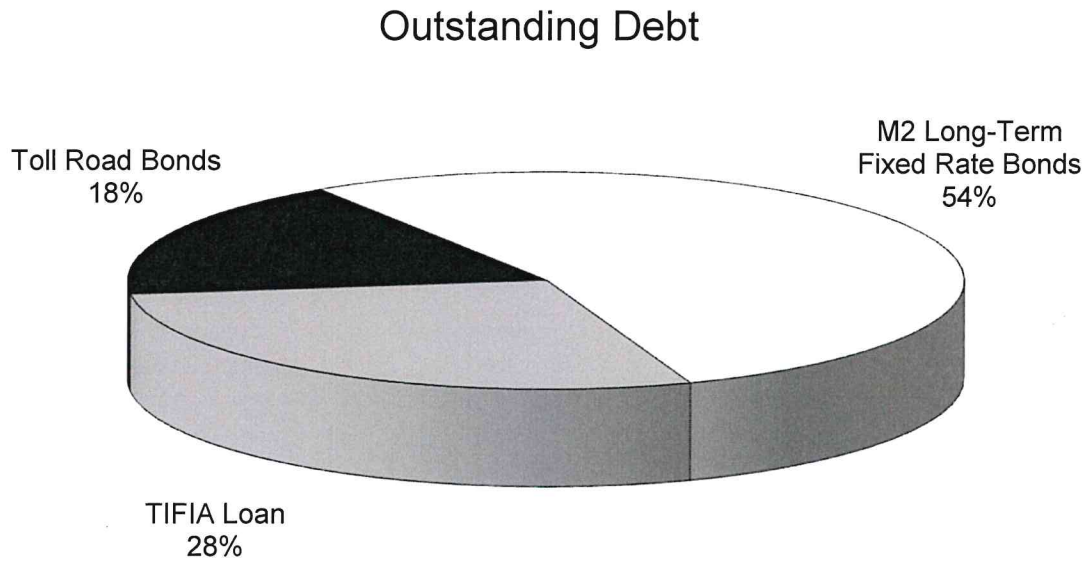
<i>General Electric Company</i>	2,390,000	10/17/2021	A	A2	A
On June 26, 2018, Standard & Poor's placed the long-term ratings of General Electric under review for possible downgrade.					

* Securities will mature on 8/7/19 and 1/8/20.

DEBT PROGRAM

Total Outstanding Debt

As of 7/31/18



TOTAL OUTSTANDING DEBT: \$578,840,000

Outstanding Debt

As of 7/31/18

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 2019:		12,922,317
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:		16,695,000
Debt Service FY 2019:		8,914,350
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings	Aa2/AA+/AA+	
Final Maturity		2020

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		103,605,000
Debt Service FY 2019:		10,796,325
Pledged Revenue Source:	91 Toll Road Revenues	
Underlying Ratings	A1/AA-/A	
Final Maturity		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	165,000,000
Accrued Debt Service FY 2019:	\$	7,514,815
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings	Baa2/BBB-/BBB-	
Final Maturity		2058



September 12, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Environmental Mitigation Program Endowment Fund Investment Report For June 30, 2018

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 its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending June 30, 2018. 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. As of June 30, 2018, the Orange County Transportation Authority has made two deposits to the Endowment Pool, each in the amount of \$2,877,000. The third deposit is scheduled to be made in August 2018, in the amount of \$2,877,000. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

Discussion

As of June 30, 2018, total pool assets in the CCF Endowment Pool were \$1.06 billion. Total foundation assets were \$1.70 billion. Performance for the Endowment Pool was -0.5 percent for the month, 0.20 percent below the benchmark; 0.7 percent for the quarter, below the benchmark by 0.1 percent. The one-year return was 8.3 percent, exceeding the benchmark by one percent.

The balance as of June 30, 2018, is \$6,241,770. The number exceeds the projected balance of \$5,934,232 due to higher than projected investment earnings and lower than projected fees. The projected annualized cost for endowment services was 0.75 percent based on indications received during the due diligence process. The program is currently paying 0.35 percent fee on a sliding scale. That fee will continue to be reduced as assets grow.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending June 30, 2018.

Attachments

- A. California Community Foundation Fund Statement - June 30, 2018
- B. California Community Foundation Endowment Pool Investments – June 30, 2018

Prepared by:



Jennifer Matano
Department Manager
Treasury/Public Finance
714-560-56563

Approved by:



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



ATTACHMENT A

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

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

4/1/2018 - 6/30/2018

Fund Summary

	Report Period 4/1/2018 - 6/30/2018	Calendar YTD 1/1/2018 - 6/30/2018
Opening Fund Balance	\$6,196,543.55	\$6,220,553.14
Contributions	0.00	0.00
Investment Activity, net	45,226.71	38,816.79
Administration & Grant Management Fees	0.00	(17,599.67)
Net Changes to Fund	45,226.71	21,217.12
Ending Balance	\$6,241,770.26	\$6,241,770.26

Investment Pool Performance as of 06/30/2018

	This Qtr.	1-Year	3-Years	5-Years	10-Years
Endowment Pool	0.7%	8.3%	5.7%	6.5%	5.1%
Social Impact Endowment Pool	1.6%	7.5%	6.4%	7.4%	6.0%
Conservative Balanced Pool	1.3%	4.3%	4.1%	n/a	n/a
Short Duration Bond Pool	0.2%	-0.2%	0.8%	n/a	n/a
Capital Preservation Pool	0.5%	1.3%	0.7%	0.5%	0.6%

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, 14% hedge funds, 22% fixed income and 14% real assets. Investment management fees are 66 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 68 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 5 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.



Endowment Pool

June 2018

INVESTMENTS

The Endowment Pool returned -0.5% for the month of June 2018, 20 basis points behind its benchmark. For the trailing year, the pool returned 8.3% , 100 basis points ahead of its benchmark.

Total Pool Assets

\$1.058 billion (Endowment Pool), \$1.70 billion (total foundation assets) as of June 30, 2018.

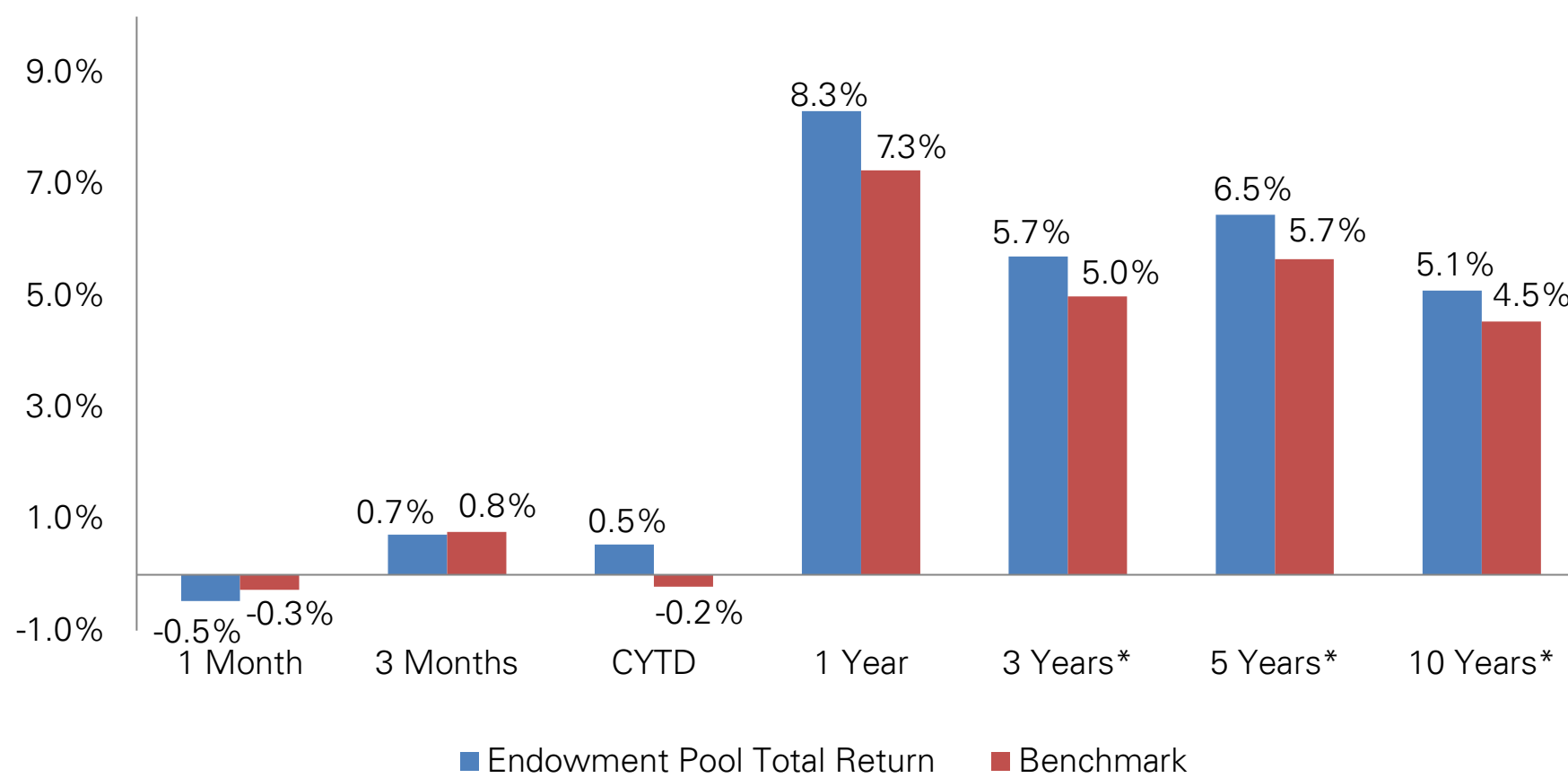
Pool Objective

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.

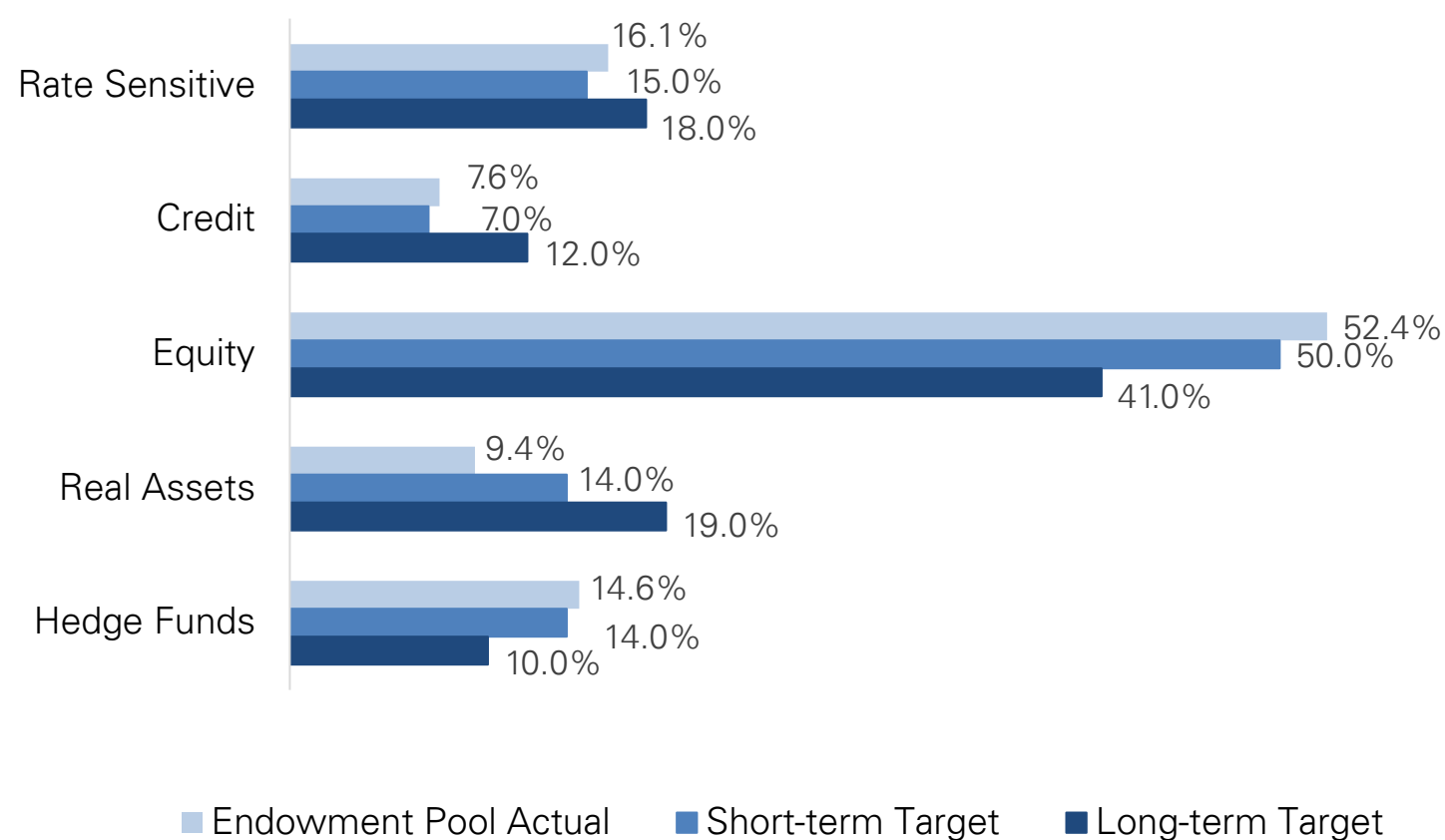
Investment Consultant

Meketa Investment Group

Performance History



Asset Allocation



*Represents annualized returns.

1) Investment expense ratio approximates 0.61%, excluding fund manager incentive fees.

2) Investment performance is presented net of investment expenses, including fund manager incentive fees.

3) Total Fund Benchmark is a combination of: 50% MSCI ACWI / 14% HFR FOF / 14% S&P Real Assets Indx / 15% Barc Agg. / 7% Barc High Yield.

4) Short-term target allocation is over 2-5 years, long-term target allocation is over 5-10 years.

Updated 7/23/2018



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

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

Overview

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of April through June 2018.

Recommendation

Receive and file as an information item.

Discussion

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

Awarded/Executed Grant Agreements:

During the fourth quarter, OCTA awarded/executed one formula grant which is summarized below.

Fiscal Year (FY) 2016-17 Proposition 1B Transit System Safety, Security, & Disaster Response Account, California Transit Security Grant Program, California Transit Assistance Fund (CTSGP-CTAF): California Office of Emergency Services (Cal OES)

OCTA received approval from the Cal OES to secure \$2.8 million in CTSCP-CTAF grant funds to support eligible transit system safety, security, and disaster response projects. The projects include: OCTA Transit Security & Operations Center, video surveillance system upgrades at OCTA bases, replace backup

generators at OCTA bases, replace light poles and luminaires at Goldenwest Transportation Center, and the San Juan Creek Rail Bridge Replacement Project. The projects were selected based on several factors, including program eligibility, project readiness, and overall funding need.

Current Grant Agreements:

OCTA's Federal Transit Administration (FTA) formula grant agreements total 13, and FTA discretionary grant agreements total three (Attachment A).

The 13 FTA formula grant agreements have a total federal amount of \$306 million. A total of \$270.6 million has been reimbursed, leaving a balance of \$35.4 million. The balance of these 13 FTA formula grant agreements will primarily fund the OC Streetcar, Orange Parking Structure, fixed-route bus procurements, Rideshare and Vanpool programs, Laguna Niguel/San Juan Capistrano Passing Siding Project, and rail rehabilitation projects.

The three FTA discretionary grant agreements have a total federal amount of \$17.9 million. A total of \$13.2 million has been reimbursed, leaving a balance of \$4.7 million. The balance of these 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 and transit facilities located in the cities of Anaheim, Laguna Niguel/Mission Viejo, Orange, Placentia, Santa Ana, and Garden Grove.

The total FTA formula and discretionary grant agreements amount to \$323.9 million. The total amount reimbursed through the fourth quarter under these grant agreements is \$283.8 million, leaving a balance of \$40.1 million.

OCTA also has 49 State and Federal Highway Administration (FHWA) formula grant agreements (Attachment B) and 15 state discretionary grant agreements (Attachment C).

The 49 state and FHWA formula grant agreements total \$385 million. The total amount reimbursed through the fourth quarter under these other grant agreements is \$257.2 million, leaving a balance of \$127.8 million.

The 15 state discretionary grant agreements total \$9 million. A total of \$1.1 million of these discretionary grant agreements has been reimbursed, leaving a balance of \$7.9 million. These state discretionary grant agreements have a defined grant expiration date. Project expenses must be fully paid and reimbursed prior to the grant agreement expiration date.

Combined, the state and FHWA formula and discretionary grants total \$394 million. The total amount reimbursed across all these grant agreements equals \$258.3 million, leaving a remaining balance of \$135.7 million.

This report activity is as of June 30, 2018, any grants with a deadline between the quarter end and the date this report is published will be fully reimbursed and closed out. This activity will be reflected in next quarter's report. Additionally, for all of these grants staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

Grant Agreements Pending Close-out:

There are seven grant agreements totaling \$64 million which are pending close-out in the fourth quarter of FY 2017-18. All invoices for these grant agreements have been submitted to the external funding agency for reimbursement and OCTA is pending final payment and/or approval of close-out documentation. OCTA Board approved reprogramming \$0.4 million of remaining funds from the Sand Canyon Grade Separation Project to the San Juan Creek Bridge Project in July 2017. These grant agreements are summarized in Attachment D.

Closed Grant Agreements:

No grants were closed in the fourth quarter of FY 2017-18.

Summary

This report provides an update of the grant agreement funded activities for the fourth quarter of FY 2017-18, April through June 2018. Staff recommends this report be received and filed as an information item.

Attachments

- A. Fourth Quarter Grant Reimbursement Status Report, April through June 2018, Federal Transit Administration Formula and Discretionary Grant Agreements
- B. Fourth Quarter Grant Reimbursement Status Report, April through June 2018, State and Federal Highway Administration Formula Grant Agreements
- C. Fourth Quarter Grant Reimbursement Status Report, April through June 2018, State Discretionary Grant Agreements
- D. Fourth Quarter Grant Reimbursement Status Report, April through June 2018, Grant Agreements Pending Close-out

Prepared by:



Sam Kaur
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Revenue and Grants Administration
714-560-5889

Approved by:



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

Fourth Quarter Grant Reimbursement Status Report
April through June 2018

Federal Transit Administration Formula and Discretionary Grant Agreements						
FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE	
FTA Section 5307 - Urbanized Area Formula Grant Program						
1	CA-90-Y942	\$ 57,746,965	\$ 57,585,288	\$ 161,677	June 2019	
2	CA-90-Z027	53,878,508	53,403,134	475,374	June 2019	
3	CA-90-Z174	55,129,189	54,970,831	158,358	December 2018	
4	CA-2016-032	55,400,721	54,845,171	555,550	December 2018	
FTA Section 5307 Grant Subtotal		\$ 222,155,383	\$ 220,804,424	\$ 1,350,959		
FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA):						
5	CA-95-X131	\$ 2,102,650	\$ 1,413,228	\$ 689,422	December 2019	
6	CA-95-X180	4,260,000	3,785,612	474,388	December 2018	
7	CA-95-X210	12,669,000	10,474,550	2,194,450	June 2019	
8	CA-95-X254	5,657,000	3,612,828	2,044,172	June 2019	
9	CA-95-X286	6,621,000	4,757,969	1,863,031	September 2018	
10	CA-2017-072	31,567,405	9,206,649	22,360,756	June 2021	
FTA Section 5307 Flexed Grant Subtotal		\$ 62,877,055	\$ 33,250,836	\$ 29,626,219		
FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program						
11	64AM16-00157	\$ 630,416	\$ 148,425	\$ 481,991	March 2019	
FTA Section 5310 Grant Subtotal		\$ 630,416	\$ 148,425	\$ 481,991		
FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program						
12	CA-37-X113	\$ 13,962,488	\$ 9,978,309	\$ 3,984,179	September 2019	
FTA Section 5316 Grant Subtotal		\$ 13,962,488	\$ 9,978,309	\$ 3,984,179		
FTA Section 5317 - New Freedoms Grant Program						
13	CA-57-X038	\$ 6,387,801	\$ 6,386,283	\$ 1,518	September 2018	
FTA Section 5317 Grant Subtotal		\$ 6,387,801	\$ 6,386,283	\$ 1,518		
Federal Transit Administration Formula Grants Total				\$ 35,444,866		

Fourth Quarter Grant Reimbursement Status Report

April through June 2018

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
FTA Section 5309 - Discretionary Capital Grant Program						
14	2008	CA-04-0078	\$ 7,021,300	\$ 5,741,867	\$ 1,279,433	December 2018
15	2009	CA-04-0122	4,845,999	3,949,594	896,405	December 2020
16	2012	CA-05-0269	6,000,000	3,482,321	2,517,679	March 2020
FTA Section 5309 Grant Subtotal			\$ 17,867,299	\$ 13,173,782	\$ 4,693,517	
Federal Transit Administration Discretionary Grants Total			\$ 17,867,299	\$ 13,173,782	\$ 4,693,517	
Total Federal Transit Administration Formula and Discretionary Grant Agreements			\$ 323,880,442	\$ 283,742,059	\$ 40,138,383	

Funding Source Notes

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

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

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

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

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

Fourth Quarter Grant Reimbursement Status Report

April through June 2018

ATTACHMENT B

State and Federal Highway Administration Formula Grant Agreements					
FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
Active Transportation Program (ATP)					
1	Orange County Active Transportation Plan (PS&E)	\$ 280,000	\$ 107,326	\$ 172,674	April 2019
ATP Subtotal		\$ 280,000	\$ 107,326	\$ 172,674	
Federal Highway Administration Grant Program - Congestion Mitigation & Air Quality (CMAQ)					
2	Orangethorpe Ave Grade Separation (ROW)	\$ 27,504,000	\$ 24,098,211	\$ 3,405,789	June 2019
3	Lakeview Ave Grade Separation (ROW)	6,532,000	6,532,000	0	June 2019
4	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (PS&E)	4,246,000	3,404,229	841,771	June 2020
5	I-5 HOV Segment 2, Vista Hermosa to PCH (PS&E)	3,687,000	2,036,465	1,650,535	June 2019
6	I-5 HOV Segment 3, PCH to San Juan Creek Rd (PS&E)	2,067,000	1,546,471	520,529	June 2019
7	Lakeview Ave Grade Separation (ROW Utility Relocation)	3,135,862	60,901	3,074,961	June 2019
8	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (ROW)	8,000,000	4,009,067	3,990,933	June 2020
9	I-5 from the Orange/San Diego County Line to Avenida Pico (PA/ED)	450,000	168,060	281,940	June 2020
10	I-5, SR-55 to SR-57 (PS&E)	2,800,000	2,138,392	661,608	June 2020
CMAQ Subtotal		\$ 58,421,862	\$ 43,993,797	\$ 14,428,065	
Federal Highway Administration Grant Program - Regional Surface Transportation Program (RSTP)					
11	Tustin Ave / Rose Dr Grade Separation Project (ROW Utility Relocation)	\$ 2,254,000	\$ 0	\$ 2,254,000	June 2019
12	Tustin Ave / Rose Dr Grade Separation Project (ROW)	21,494,000	19,594,690	1,899,310	June 2019
13	Lakeview Ave Grade Separation (ROW)	11,527,563	11,527,563	0	June 2019
14	Tustin Ave / Rose Dr Grade Separation Project (Construction)	8,700,440	7,941,427	759,013	June 2019
15	I-5, I-405 to SR-55 (PA/ED)	8,000,000	4,937,952	3,062,048	June 2020
16	I-5 Segment 2, Oso Pkwy to Alicia Pkwy (PS&E)	10,000,000	9,361,754	638,246	June 2019
17	I-405, I-5 to SR-55 (PA/ED)	8,000,000	4,891,656	3,108,344	June 2020
18	I-5 Segment 1, SR-73 to Oso Pkwy (PS&E)	9,101,000	7,421,425	1,679,575	June 2020
19	I-5 Segment 3, Alicia Pkwy to El Toro Rd (PS&E)	8,044,000	5,332,160	2,711,840	June 2020
20	SR-91, SR-57 to SR-55 (PA/ED)	7,000,000	2,925,998	4,074,002	June 2020
21	SR-57, Orangewood to Katella Ave (PA/ED)	2,500,000	1,085,832	1,414,168	June 2021
22	SR-55, I-5 to SR-91 (PS&E)	5,000,000	454,267	4,545,733	June 2022
RSTP Subtotal		\$ 101,621,003	\$ 75,474,724	\$ 26,146,279	
Federal Highway Administration Grant Program - State Transportation Block Grant (STBG)					
23	I-405, SR-73 to I-605 (Construction)	\$ 1,000	\$ 0	\$ 1,000	June 2021
24	SR-55, I-405 to I-5 (PS&E)	13,800,000	0	13,800,000	June 2023
STBG Subtotal		\$ 13,801,000	\$ 0	\$ 13,801,000	

Fourth Quarter Grant Reimbursement Status Report

April through June 2018

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)						
25	2016	Bus Buy - 40' buses for Bravo!	\$ 2,989,333	\$ 0	\$ 2,989,333	December 2018
26	2017	Bus Bicycle Racks	766,345	0	766,345	June 2021
27	2017	Fare Discount - Fixed Route	886,480	886,480	0	June 2021
CAP & TRADE LCTOP Subtotal			\$ 4,642,158	\$ 886,480	\$ 3,755,678	
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Demonstration Funds						
28	2009	I-405, SR-73 to I-605 (PS&E)	\$ 439,371	\$ 439,371	\$ 0	June 2020
29	2012	Orangethorpe Ave Grade Separation (Construction)	18,600,000	17,669,800	930,200	June 2019
30	2013	I-405, SR-73 to I-605 (PS&E)	1,871,573	1,871,573	0	June 2020
SAFETEA-LU Demo Subtotal			\$ 20,910,944	\$ 19,980,744	\$ 930,200	
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Demonstration Funds						
31	2013	I-405, SR-73 to I-605 (PS&E)	\$ 6,549,820	\$ 6,499,820	\$ 50,000	June 2020
SAFETEA-LU Demo Subtotal			\$ 6,549,820	\$ 6,499,820	\$ 50,000	
SAFETEA-LU: Projects of National and Regional Significance (PNRS)						
32	2013	Lakeview Ave Grade Separation (Construction)	\$ 9,709,030	\$ 6,954,405	\$ 2,754,625	June 2020
SAFETEA-LU-PNRS Subtotal			\$ 9,709,030	\$ 6,954,405	\$ 2,754,625	
State Proposition 1B California Transit Security Grant Program (CTSGP): Transit System Safety, Security & Disaster Response Account (TSSSDRA)						
33	2015	Transit Security Operation Center (PS&E)	\$ 2,741,643	\$ 371,462	\$ 2,370,181	March 2019
34	2015	Video Surveillance System Upgrades (Construction)	100,000	0	100,000	March 2019
35	2016	Transit Security Operation Center (PA/ED)	3,180,574	0	3,180,574	March 2019
36	2016	Video Surveillance System Upgrades (Construction)	140,000	0	140,000	March 2019
37	2017	Bus Maintenance Facility Improvements (Construction)	450,000	0	450,000	March 2019
38	2017	Rail Rehabilitation (Construction)	380,000	0	380,000	March 2019
39	2017	San Juan Creek Rail Bridge Replacement (ROW)	160,000	58,950	101,050	March 2019
40	2017	Transit Security Operation Center (ROW)	26,459	0	26,459	March 2019
41	2017	Video Surveillance System Upgrades (Construction)	1,800,000	0	1,800,000	March 2019
PROP 1B TSSSDRA Subtotal			\$ 8,978,676	\$ 430,412	\$ 8,548,264	
State Proposition 1B: Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)						
42	2015	Fullerton Transportation Center Elevator Project (Construction)	\$ 500,000	\$ 393,537	\$ 106,463	August 2020
43	2015	Raymond Ave Grade Separation Project (Construction)	43,008,102	34,597,527	8,410,575	August 2020
PROP 1B PTMISEA Subtotal			\$ 43,508,102	\$ 34,991,064	\$ 8,517,038	

Fourth Quarter Grant Reimbursement Status Report

April through June 2018

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
State Proposition 1B: Trade Corridor Improvement Fund (TCIF)						
44	2012	Orangethorpe Ave Grade Separation (Construction)	\$ 41,632,000	\$ 28,633,857	\$ 12,998,143	June 2019
45	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	30,862,000	21,455,738	9,406,262	June 2019
46	2013	Lakeview Ave Grade Separation (Construction)	27,628,157	17,713,988	9,914,169	June 2019
PROP 1B TCIF Subtotal			\$ 100,122,157	\$ 67,803,583	\$ 32,318,574	
State Transportation Improvement Plan (STIP) Programming, Planning & Monitoring (PPM)						
47	2016	PPM Program	\$ 831,000	\$ 141,571	\$ 689,429	December 2018
48	2017	PPM Program	1,899,000	0	1,899,000	December 2019
STIP PPM Subtotal			\$ 2,730,000	\$ 141,571	\$ 2,588,429	
State Transportation Improvement Program (PTA)						
49	2016	Orange Transportation Center Parking Structure (Construction)	\$ 13,762,000	\$ 0	\$ 13,762,000	December 2020
STIP PTA Subtotal			\$ 13,762,000	\$ 0	\$ 13,762,000	
Total State and Federal Highway Administration Formula Grant Agreements			\$ 385,036,752	\$ 257,263,925	\$ 127,772,827	

Fourth Quarter Grant Reimbursement Status Report
April through June 2018

State Discretionary Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	EXPIRATION DATE
Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC) / Transportation Control Measure Partner						
1	2015	Bicycle Corridor Improvement	\$ 851,883	\$ 0	\$ 851,883	July 2020
2	2015	Mobile Ticketing	1,553,657	0	1,553,657	December 2018
3	2016	Bus Rehab & Repower - 40' buses	1,470,000	0	1,470,000	March 2019
4	2017	Angels Express Train Service	503,272	0	503,272	April 2019
5	2017	OC Fair Express	834,222	405,709	428,513	April 2019
MSRC Subtotal			\$ 5,213,034	\$ 405,709	\$ 4,807,325	
Highway Safety Plan (HSP) - California Office of Traffic Safety (OTS)						
6	2017	Pedestrian and Bicycle Safety	\$ 75,000	\$ 0	\$ 75,000	October 2018
OTS Subtotal			\$ 75,000	\$ 0	\$ 75,000	
State Highway Account - Sustainable Communities						
7	2017	Active Transportation Count	\$ 177,000	\$ 15,117	\$ 161,883	February 2019
SHA-SC Subtotal			\$ 177,000	\$ 15,117	\$ 161,883	
Systemic Safety Analysis Reporting Program						
8	2016	Systemic Safety Analysis Report	\$ 315,000	\$ 123,025	\$ 191,975	September 2021
SSARP Subtotal			\$ 315,000	\$ 123,025	\$ 191,975	
Transit and Intercity Rail Capital Program						
9	2017	Mobile Ticketing (Construction)	\$ 2,482,000	\$ 0	\$ 2,482,000	November 2019
CAP & TRADE TIRCP Subtotal			\$ 2,482,000	\$ 0	\$ 2,482,000	
Transit Security Grant Program (TSGP) - State Office of Homeland Security						
10	2015	Update OCTA's Security and Emergency Plans	\$ 100,000	\$ 70,289	\$ 29,711	August 2018
11	2015	VIPIR and Counter Terrorism Team Operations	115,500	115,500	0	August 2018
12	2015	Vulnerability Assessment of OCTA's Industrial Control and Communication	300,000	240,120	59,880	August 2018
13	2016	Update OCTA's Security and Emergency Plans	70,000	68,833	1,167	August 2019
14	2016	VIPIR and Counter Terrorism Team Operations	70,000	58,428	11,572	August 2019
15	2017	Be The One Campaign	75,000	5,568	69,432	August 2020
TSGP Subtotal			\$ 730,500	\$ 558,738	\$ 171,762	
Total State Discretionary Grant Agreements			\$ 8,992,534	\$ 1,102,589	\$ 7,889,945	

Fourth Quarter Grant Reimbursement Status Report
April through June 2018

Grant Agreements Pending Close-out						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2010	PROP 116	Sand Canyon Ave Grade Separation (Construction)	\$ 22,004,000	\$ 21,574,222	\$ 429,778
2	2010	PROP 1B HRCSA	Sand Canyon Ave Grade Separation (Construction)	6,618,000	6,618,000	0
3	2011	PROP 1B TCIF	Kraemer Blvd Grade Separation (Construction)	15,513,000	15,508,470	4,530
4	2011	PROP 1B TCIF	Placentia Ave Grade Separation (Construction)	9,550,000	9,548,000	2,000
5	2016	PROP 1B TSSSDRA	Raymond Ave Grade Separation Project (Construction)	200,000	200,000	0
6	2010	RSTP	Sand Canyon Ave Grade Separation (Construction)	8,665,741	8,665,741	0
7	2011	TCRP	Kraemer Blvd Grade Separation (Construction)	1,462,000	1,462,000	0
Total Grant Agreements Pending Close-out				\$ 64,012,741	\$ 63,576,433	\$ 436,308



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Excess Liability Insurance Renewal

Overview

The Orange County Transportation Authority currently has excess liability insurance policies with Insurance Company of the State of Pennsylvania, Great American Insurance Company, and Allied World Assurance Company. These policies will expire on November 1, 2018.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A40995, in the amount of \$800,000, to Marsh Risk and Insurance Services, Inc., to purchase excess liability insurance on behalf of the Orange County Transportation Authority for the policy period of November 1, 2018 to November 1, 2019.

Discussion

The Orange County Transportation Authority (OCTA) has been self-insured for liability claims since 1977 and currently maintains a self-insured retention (SIR) of \$4 million per claim. In addition, OCTA purchases \$60 million in excess liability insurance above the current SIR to provide financial protection against potentially high-exposure liability losses.

Excess liability insurance is a type of insurance policy purchased by OCTA to protect against liability claims for bodily injury and property damage arising out of premises, all operations including the 91 Express Lanes, products and completed operations, advertising and personal injury liability, errors and omissions liability (including public official's coverage), employment practices, and employee benefit liability.

The \$60 million in excess liability insurance is provided by three insurance carriers, Insurance Company of the State of Pennsylvania (ICSP), Great

American Insurance Company (Great American), and Allied World Assurance (Allied).

ICSP provides coverage of \$10 million in excess of OCTA's \$4 million SIR, for a premium of \$409,959. In addition, Great American provides an additional \$25 million in coverage to OCTA beyond the ICSP policy, for a premium of \$192,700, and Allied provides an additional \$25 million beyond the Great American policy, for a premium of \$104,245. The total premium for the three policies including taxes and fees is \$706,904. These policies are scheduled to expire on November 1, 2018.

OCTA has been insured for excess liability since 1991 and has experienced only three claims with a value in excess of OCTA's SIR that required payment by an excess liability insurer. OCTA's approved budget for this renewal exceeds the current premium, but allows for potential increases which might occur as a result of recent loss history and any policy enhancements necessary to protect OCTA assets. Therefore, staff requests Board of Directors' (Board) approval for the budget approved amount of \$800,000 to renew this policy.

OCTA's Broker of Record, Marsh Risk and Insurance Services, Inc. (Marsh), will provide marketing and will purchase the excess liability insurance coverage on behalf of OCTA for this renewal. Marsh is paid a flat fee of \$100,000 for marketing and placing all property and casualty insurance per Agreement No. C-7-1585 approved by the Board on May 22, 2017. This flat fee paid to Marsh is not part of the premium OCTA anticipates paying to the selected insurers for the renewal of this policy. By agreement, Marsh does not earn any additional compensation or commission for its services. The contract further requires that any commissions offered by insurers will offset OCTA's premiums.

Marsh has been directed to approach carriers that currently write public transportation excess liability insurance policies and that also have the financial capacity to hold an AM Best financial rating of A-7 or better. The qualified companies include:

- ACE American Insurance Company
- Allied World Assurance Company, LTD.
- Arch Specialty Insurance Company
- AXIS Surplus Insurance Company
- Argonaut Insurance Company
- Berkley National Insurance Company
- Endurance American Insurance Company

- Evanston Insurance Company
- General Star Insurance Company
- Great American Insurance Company
- Insurance Company of the State of Pennsylvania
- Ironshore Indemnity Company
- Munich Reinsurance Company
- Old Republic Insurance Company
- RSUI Indemnity Company
- Scottsdale Insurance Company
- Travelers Insurance Company

OCTA will pursue four possible goals for renewing the excess liability policies. The goals are:

- Obtain a flat or lower rate renewal at the current SIR level,
- Obtain quotes for \$3 million, \$4 million, and \$5 million SIR to evaluate the best blend of risk assumption and risk transfer,
- Consider a multiple year program,
- Conduct a review of the current level of coverage.

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2018-19 Budget, Human Resources and Organizational Development Division, Risk Management Department, Account 0040-7562-A0017-DTN, and is funded through the Internal Service Fund.

Summary

Based on the information provided, staff recommends authorizing the Chief Executive Officer to negotiate and execute Purchase Order No. A40995, for the renewal of the excess liability insurance, for an annual premium in the amount of \$800,000, for the policy period of November 1, 2018 to November 1, 2019.

Attachment

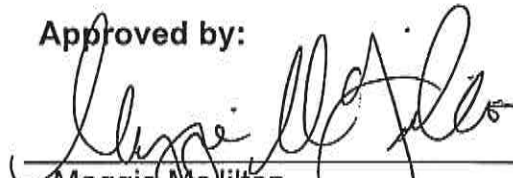
None.

Prepared by:

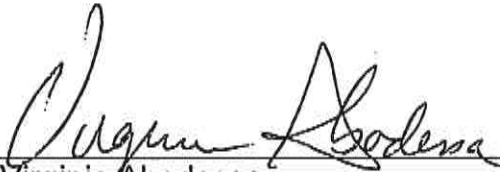


Al Gorski
Department Manager
Risk Management
714-560-5817

Approved by:



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



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



September 12, 2018

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Amendment to Agreement for Temporary Staffing Services

A handwritten signature in blue ink, appearing to be "DEJ", is written over the "From:" and "Subject:" lines of the memo.

Overview

On September 28, 2015, the Orange County Transportation Authority Board of Directors approved an agreement with Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, to provide temporary staffing services for a three-year initial term and two, two-year option terms. An amendment is required to increase the initial term maximum cumulative payment obligation.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3658 between the Orange County Transportation Authority and Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, in the amount of \$83,565. This will increase the maximum obligation of the agreement to a total contract value of \$488,809.

Discussion

Temporary staffing services are required to cover unforeseen shortfalls in staff, which, if left unsupported, would have a negative impact on a department's workload. While some temporary staffing needs can be anticipated, the primary reasons for fluctuations include, but are not limited to, unexpected leaves of absence, employee resignations, and staffing support for special projects that were unanticipated in the early planning stages of the budget process. The Human Resources Department oversees and manages all aspects of the temporary staffing services, including contract compliance and oversight of budget dollar expenditures. The use of temporary staff does not add to the number of approved budgeted positions.

On April 23, 2018, the Orange County Transportation Authority (OCTA) Board of Directors (Board) authorized the release of a request for proposals for a firm

or firms to provide temporary staffing services going forward. The required amount of \$83,565 is to accommodate expenditures to date. An amendment is required to increase the maximum cumulative payment obligation in the current agreement with Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services (AppleOne). For future expenditures, the Board will consider the selection of firms on October 8, 2018.

Procurement Approach

The procurement was originally handled in accordance with OCTA Board-approved procedures for professional and technical services. On September 28, 2015, the Board approved the award of the agreement with AppleOne. The original agreement was awarded on a competitive basis and includes a three-year initial term and two, two-year option terms, in the amount of \$327,744. The Contracts Administration and Materials Management Department has issued three contract amendments for AppleOne (Attachment A).

The initial term of the agreement is through October 31, 2018. Amending the agreement will increase the maximum cumulative payment obligation by \$83,565, bringing the total contract value to \$488,809.

Fiscal Impact

Funds are included in the OCTA Fiscal Year 2017-18 Budget and are funded through local funds. These services are utilized on an as-needed basis in response to the individual needs of each department. As such, anticipated expenditures for these services are budgeted as part of each department's budget.

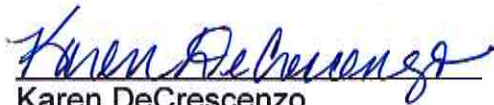
Summary

Staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3658 with Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, to increase the maximum obligation by \$83,565.

Attachment

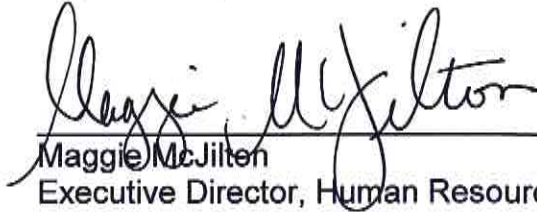
- A. Fact Sheet - Howroyd Wright Employment Agency, Inc., Doing Business As AppleOne Employment Services Agreement No. C-5-3658

Prepared by:



Karen DeCrescenzo
Department Manager,
Human Resources
714-560-5547

Approved by:



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



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

**Howroyd Wright Employment Agency, Inc., doing business as AppleOne
Employment Services
Agreement No. C-5-3658 Fact Sheet**

1. September 28, 2015, Agreement No. C-5-3658, \$327,744, approved by the Board of Directors (Board).
 - Agreement to provide temporary staffing services.
 - Initial term of the agreement is effective November 1, 2015 through October 31, 2018, with two, two-year option terms.
2. July 21, 2016, Amendment No. 1 to Agreement No. C-5-3658, \$0.00, approved by Contracts Administration and Materials Management Department (CAMM).
 - Amendment to add language to the scope of work.
3. February 26, 2018, Amendment No. 2 to Agreement No. C-5-3658, \$77,500, approved by the Board.
 - Amendment to increase the maximum cumulative payment obligation to continue services.
4. July 9, 2018, Amendment No. 3 to Agreement No. C-5-3658, \$0.00, approved by CAMM.
 - Amendment to revise the key personnel and point of contact.
5. September 24, 2018, Amendment No. 4 to Agreement No. C-5-3658, \$83,565, pending Board approval.
 - Amendment to increase the maximum cumulative payment obligation.

Total committed to Howroyd Wright Employment Agency, Inc., doing business as AppleOne Employment Services, Agreement No. C-5-3658, in the amount of \$488,809.



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Adopt Resolution Reaffirming the Longstanding Policy of Requiring the Use of Transponders on the 91 Express Lanes

Overview

Since its opening in 1995, the 91 Express Lanes has always required the use of transponders linked to properly funded accounts to use the toll road without incurring a penalty. The transponder requirement is reflected in a number of documents, on road signs, and on the 91 Express Lanes website, but was not included in the ordinance establishing the procedures for assessing and collecting toll evasion violation penalties. Although a formal resolution or ordinance is not necessary to establish or document the official policy of the Orange County Transportation Authority, adoption of Resolution No. 2018-121 will help the Orange County Transportation Authority prove, if it ever became necessary, the requirement for the use of FasTrak transponders on the 91 Express Lanes.

Recommendation

Adopt Resolution No. 2018-121 confirming the longstanding policy of requiring the use of transponders on the 91 Express Lanes.

Background

The 91 Express Lanes were constructed in 1994-95 by the California Private Transportation Corporation. There were no toll booths built on the 91 Express Lanes. A transponder linked to a properly funded account was always required.

The Orange County Transportation Authority (OCTA) acquired the license to operate the 91 Express Lanes in 2002 and began operating the toll road in 2003. As with its private predecessor, OCTA has always required that drivers who use the 91 Express Lanes display a functioning transponder linked to a properly funded FasTrak account. Drivers who do not have FasTrak transponders but who, nevertheless, use the 91 Express Lanes will be issued a notice of violation

and be assessed a penalty. The requirement for the use of transponders is reflected in many different places, including:

- On California Department of Transportation-approved road signs on each of the approaches to the 91 Express Lanes;
- In every 91 Express Lanes account agreement;
- In written materials provided to new account holders, including a 91 Express Lanes "Welcome Kit;"
- On the website of the 91 Express Lanes; and
- In official statements approved by the OCTA's Board of Directors in connection with bond offerings to finance/refinance OCTA's acquisition of the 91 Express Lanes.

Sometimes transponders do not work properly, such as when the batteries wear out. In those cases, if the vehicle license plate number can be read by in-lane equipment and linked to a properly funded FasTrak account, the toll will be posted to the account and no violation notice sent. This is a courtesy extended to FasTrak account holders so that transponder problems do not lead to unnecessary violations. FasTrak account holders who routinely use the 91 Express Lanes without their transponders are notified in writing of the transponder requirement and are offered new transponders. Repeated use of the 91 Express Lanes without a transponder by account holders can result in the imposition of a transaction fee to offset the additional cost of looking up account holders by license plate numbers.

A governmental entity's policies do not have to be adopted by resolution or ordinance. Policies are often reflected in less formal documents and even in the longstanding practices of the agency. However, adoption or reaffirmation of a policy by resolution or ordinance eliminates all possible doubt about the policy, and makes that policy much easier to establish, if that becomes necessary.

Summary

Staff recommends the Board of Director's adopt Resolution No. 2018-121 which reaffirms the Orange County Transportation Authority's longstanding policy of requiring the use of transponders on the 91 Express Lanes.

Attachment

- A. Resolution No. 2018-121, Resolution of the Orange County Transportation Authority Confirming the Longstanding Policy of Requiring the Use of Transponders on the 91 Express Lanes

Prepared by:



Kirk Avila
General Manager
Express Lanes Program
(714) 560-5674

Approved by:



Kenneth Phipps
Deputy, Chief Executive Officer
Executive Office
(714) 560-5637

RESOLUTION NO. 2018-121**A RESOLUTION OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY CONFIRMING THE LONGSTANDING POLICY OF REQUIRING THE USE OF TRANSPONDERS ON THE 91 EXPRESS LANES**

WHEREAS, in 1994-95 the California Private Transportation Corporation (“CPTC”) constructed an approximately 10-mile long toll road in the median of the State Route (“SR”) 91 Freeway between the Riverside County line and the interchange of the SR 91 Freeway and the SR 55 Freeway in Orange County, known as the 91 Express Lanes. There were no toll booths built on the 91 Express Lanes. To use the 91 Express Lanes, drivers were required to use transponders provided under an agreement with CPTC; and

WHEREAS, in 2002, the Orange County Transportation Authority (“OCTA”) acquired the license to operate the 91 Express Lanes from the State of California; and

WHEREAS, when the OCTA began operating the 91 Express Lanes in January 2003, the OCTA continued the requirement that drivers have active transponders tied to properly funded FasTrak accounts to use the toll road without incurring a penalty; and

WHEREAS, the policy requiring the use of transponders is reflected in many different places, including but not limited to:

- California Department of Transportation approved road signs on each of the approaches to the 91 Express Lanes;
- 91 Express Lanes account agreements;
- written materials provided to new account holders, including a 91 Express Lanes “Welcome Kit;”
- the website of the 91 Express Lanes; and
- official statements approved by the OCTA’s Board of Directors in connection with bond offerings to finance/refinance the OCTA’s acquisition of the 91 Express Lanes.

WHEREAS, in March 2017, an extension of the 91 Express Lanes into Riverside County, operated by the Riverside County Transportation Commission, was opened. Use of the Riverside County portion of the 91 Express Lanes also requires a valid transponder tied to a properly funded FasTrak account.

NOW, THEREFORE, BE IT RESOLVED, that the OCTA's Board of Directors reaffirms the OCTA’s longstanding policy requiring that drivers using the Orange County portion of the 91 Express Lanes display in the vehicle a transponder tied to a properly funded FasTrak account. But recognizing that transponders, like all electrical equipment, sometimes fail to work, the Board also reaffirms the longstanding policy of forgiving FasTrak customers when a

transponder occasionally cannot be read, provided the license plate number of the otherwise offending vehicle can be read and is listed on a valid FasTrak account.

PASSED, ADOPTED and EFFECTIVE on this _____ day of September, 2018.

LISA A. BARTLETT, CHAIRWOMAN
ORANGE COUNTY
TRANSPORTATION AUTHORITY

APPROVED AS TO FORM:

JAMES M. DONICH
GENERAL COUNSEL

ATTEST:

I, Laurena Weinert, Clerk of the Board of Directors of the Orange County Transportation Authority, do hereby certify that the foregoing Resolution No. 2018-121, by the following votes:

AYES:

NOES:

ABSENT:

LAURENA WEINERT
CLERK OF THE BOARD



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to Grant Management and Programming Database Agreement

Overview

On June 11, 2018, as part of the Fiscal Year 2018-19 Budget adoption, the Board of Directors approved sole source procurements for software and hardware licensing, maintenance, and emergency support. A one-year purchase order was issued to EcoInteractive Inc., as part of the approved sole source procurements list to continue services for a web-based software system known as OCFundtracker for the tracking and reporting of Federal Transportation Improvement Program and Combined Transportation Funding Program project data. An amendment to expand the current software system is needed to support the tracking and reporting of the local agencies' capital improvement programs, as well as to continue maintenance services for the existing modules.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Purchase Order A40326 between the Orange County Transportation Authority and EcoInteractive Inc., in the amount of \$27,500, to expand the current OCFundtracker platform to include the Capital Improvement Program module effective October 1, 2018 through August 31, 2019. This will increase the maximum obligation of the agreement to a total purchase order value of \$118,170.

Discussion

The Orange County Transportation Authority (OCTA) is responsible for administration of the current and renewed Measure M2 Comprehensive Transportation Funding Program (CTFP) and the Federal Transportation Improvement Program (FTIP). OCTA has implemented the web-based OCFundtracker to meet the needs for managing the FTIP and CTFP transportation project data. This system is integrated with the Southern

California Association of Governments regional FTIP system for processing funding and other project-level changes.

OCTA now wants to expand the current OCFundtracker platform to support the tracking and reporting of local agencies capital improvement programs (CIP). CIPs are annual submittals required by the Measure M Ordinance. Local agencies currently submit CIPs annually through a legacy system developed in house by OCTA. However, major elements of the system will soon no longer be supported by certain software vendors.

The new CIP module will allow OCTA staff to manage business processes associated with generating the CIPs, such as providing a user-friendly application template for local agencies to enter all necessary data before submission to OCTA. Users at the local agency level will have the ability to create new projects, edit existing projects, upload documents, and view the status of submitted projects. Users at both OCTA and the local agency level will be able to run relevant reporting, track changes, and view all historical versions of a project.

Procurement Approach

The procurement was processed in accordance with OCTA's Board of Directors (Board)-approved policies and procedures. The Board approved the annual sole source vendor list on June 11, 2018, for fiscal year 2018-19. The original purchase order was issued on August 28, 2018, in the amount of \$90,670, for a one-year term as described in Attachment A.

It has become necessary to amend the purchase order to expand the current OCFundtracker platform to support the tracking and reporting of the CIPs. In accordance with OCTA's policy, Board approval is required for all amendments exceeding 15 percent of the original contract amount. The additional cost associated with expanding the current OCFundtracker is \$27,500.

Proposed Amendment No. 1 to Purchase Order A40326, in the amount of \$27,500, will bring the total purchase order value to \$118,170.

Staff requested a price proposal from the firm to provide the additional services and to continue maintenance of the current modules. The proposal was reviewed by OCTA staff and found to be fair and reasonable for the work to be performed. The amount for expanding the platform includes customizations, initial startup services, and technical support for the CIP module, and is consistent with the cost of the existing modules.

Fiscal Impact

This additional work was included in OCTA's Fiscal Year 2018-19 Budget in Account 0017-7519-SO002-TGZ.

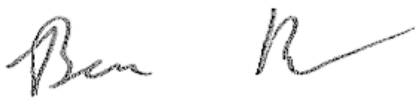
Summary

Staff is recommending the Board authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Purchase Order A40326 with EcoInteractive Inc., in the amount of \$27,500, to expand the current OCFundtracker platform through August 31, 2019.

Attachment

- A. EcoInteractive Inc., Purchase Order A40326, Fact Sheet

Prepared by:



Ben Ku
Section Manager,
Formula Funding
(714) 560-5473

Approved by:



Kia Mortazavi
Executive Director, Planning
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Virginia Abadessa
Director, Contracts Administration and
Materials Management
(714) 560-5623

**EcoInteractive Inc.
Purchase Order No. A40326
Fact Sheet**

1. August 28, 2018, Purchase Order A40326, \$90,670, issued by the Contracts Administration and Materials Management Department.
 - To provide web-based software system for tracking and reporting of Federal Transportation Improvement Program and Combined Transportation Funding Program project data.
 - Term of the agreement is effective through August 31, 2019.
2. September 24, 2018, Amendment No. 1 to Purchase Order A40326, in the amount of \$27,500, pending approval by the Board of Directors.
 - Amendment to increase the maximum obligation to allow for expansion of the current software system to support the tracking and reporting of the Capital Improvement Programs, effective October 1, 2018.

Total committed to EcoInteractive Inc., Purchase Order A40326, is \$118,170.



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Update on the Low Carbon Fuel Standard Program

Overview

On March 14, 2016, the Orange County Transportation Authority Board of Directors approved the selection of Element Markets Renewable Energy, LLC, as the firm to provide renewable natural gas and consulting services for the management of the Low Carbon Fuel Standard Program. The Low Carbon Fuel Standard Program has been in effect for slightly over two years with very positive results.

Recommendation

Receive and file as an informational item.

Background

As a consumer of natural gas for its bus operation, Orange County Transportation Authority (OCTA) is able to receive revenue generated from its use of renewable natural gas based on programs at the state and federal level.

California's Low Carbon Fuel Standard (LCFS) Program was enacted to support the California Global Warming Solutions Act of 2006. The LCFS Program is designed to lower greenhouse gas emissions by requiring producers of petroleum-based fuels to reduce the carbon intensity of their transportation fuels. One of the ways that producers of petroleum-based fuels can meet this requirement is to buy credits from entities who use low carbon fuels, such as OCTA. OCTA's fleet of buses are powered by 100 percent renewable natural gas. OCTA opted into the LCFS Program as a registered party in March 2014 and has since generated 81,977 credits.

In addition to the State of California's LCFS Program, there is a federal Renewable Fuel Standard (RFS) Program to ensure that transportation fuel in the United States contains a minimum volume of renewable fuel. The

RFS Program requires entities that refine, import, or blend fossil fuels to meet certain individual RFS quotas based on the volume of fuel they introduce into the market. In order to meet their quotas, these entities must submit Renewable Identification Numbers (RINs) to the Environmental Protection Agency to demonstrate compliance. These entities can generate RINs by supplying renewable fuel to transportation agencies, such as OCTA, and will often share a fixed percentage of the dollar value of each RIN generated using the renewable fuel with the transportation agency. To date, OCTA has generated 20,811,054 RINs credits.

Several transit agencies in California, including OCTA, have found it more economical to purchase renewable natural gas using a Core Transport Agent (CTA). CTAs are companies or consortiums that arrange for the delivery of natural gas on behalf of customers. CTAs also provide for the administration and monetization of LCFS credits and share a percentage of the value of the RINs with their customers.

Discussion

On March 9, 2016, the OCTA Board of Directors (Board) Finance and Administration Committee (Committee), as part of their review of the selection recommendation, voiced a concern that none of the proposing firms offered to OCTA a fixed amount of revenue that would be recouped from the sale of these credits. While the proposals provided amounts of revenue that OCTA could realize, they did not offer a fixed guaranteed amount. To protect OCTA against not realizing the projected revenue, the Board Committee directed staff to negotiate, as part of the contract, assurances and security, including minimum guarantees for all aspects of the contract.

On March 14, 2016, the Board selected the firm, Element Markets Renewable Energy, LLC, (Element Markets) to act as OCTA's CTA in providing renewable natural gas and in assisting OCTA in managing the LCFS Program. OCTA delegated its regulatory obligations to Element Markets to sell the LCFS credits and assume all responsibilities associated with LCFS Program management, as well as regulatory and compliance issues. The term of the contract was for three years with two, two-year options.

As part of the terms and conditions of the contract, Element Markets was required to issue to OCTA a minimum receipt guarantee in the form of a bond, in the amount of \$8,963,181, as a security to satisfy the concerns of the Board. This amount represented the revenue that Element Markets projected OCTA could receive from the sale of LCFS credits and RINs during the initial three-year term.

Agreement No. C-5-3636 was executed on June 8, 2016. OCTA has steadily received revenue monthly from the sale of the credits. As of June 2018, OCTA had received \$7,661,983, from the sale of credits conducted by Element Markets. During the month of June 2018, Element Markets contacted OCTA and requested that they be able to prepay the remaining amount left of the minimum receipt guarantee bond equal to \$1,301,198. Because OCTA's contract with Element Markets allowed for a prepayment of the bond amount, OCTA agreed to accept a prepayment. On July 2, 2018, Element Markets wired the balance amount to OCTA. Revenue from the monthly credit sales will be deducted from this prepayment amount until the amount is exhausted, then Element Markets will return to submitting monthly revenue to OCTA. Element Markets exceeded their bonded amount one year earlier than originally projected.

The revenue received from this program is used to pay for bus service, fuel, and transit capital equipment needs. As OCTA moves into other alternative fueled vehicles, Element Markets is assisting staff in obtaining permission from the California Air Resources Board. Currently OCTA and Element Markets are working to obtain the necessary approvals to begin selling credits from the use of hydrogen buses as soon as they are delivered to OCTA and placed into service.

Summary

Orange County Transportation Authority contracted with Element Markets Renewable Energy, LLC, to provide renewable natural gas and consulting services for the management of the Low Carbon Fuel Standard Program. The program has been in effect for slightly over two years and Orange County Transportation Authority has received more revenue in a shorter period than originally established in the minimum receipt guarantee provided by Element Markets Renewable Energy, LLC.

Attachment

None.

Prepared by:



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

Approved by:



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



Update on the Low Carbon Fuel Standard Program



Background

- Low Carbon Fuel Standard (LCFS) – state adopted laws enacted to reduce carbon intensity in transportation fuels
- Renewable Identification Numbers (RINS) – Renewable Fuel Standard - federal program enacted to ensure transportation fuel contains a minimum volume of renewable fuel

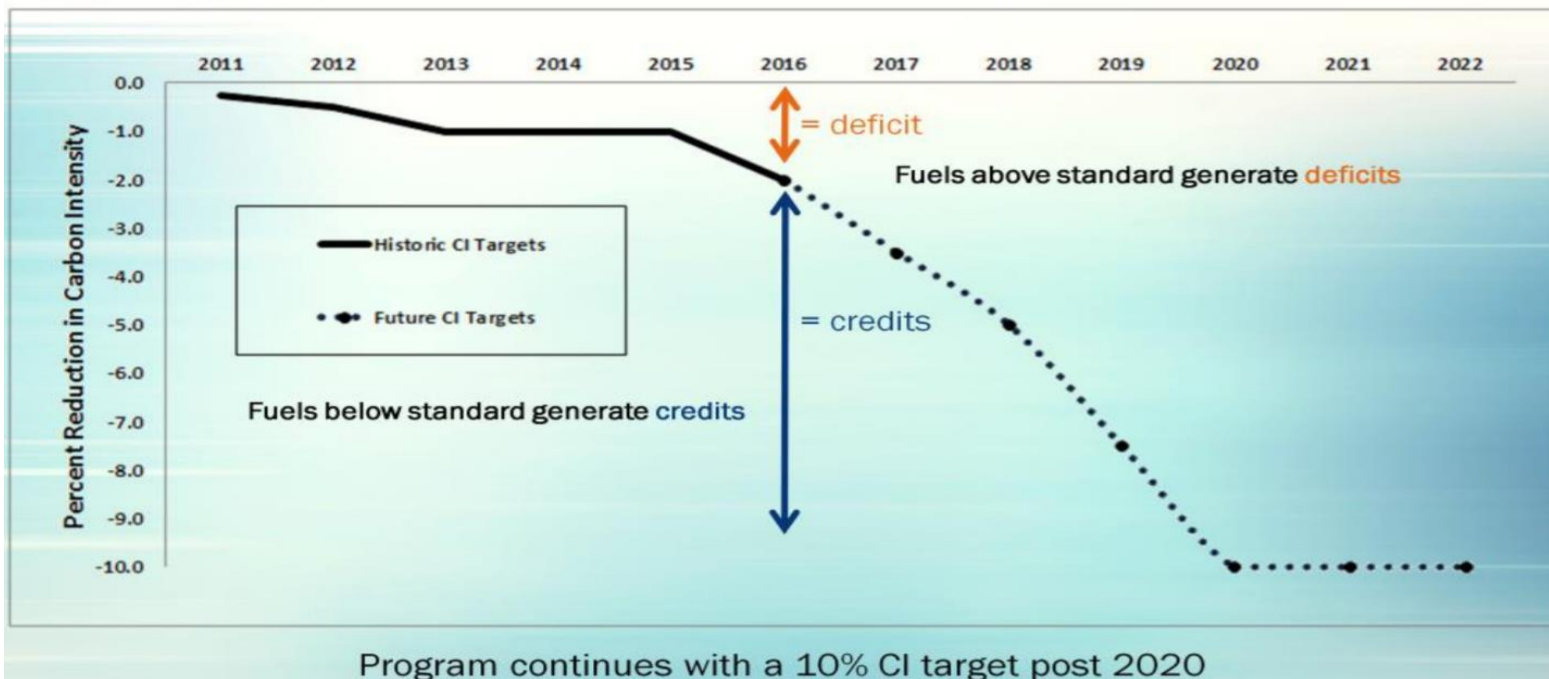
LCFS Program Components

- OCTA operates 492 CNG buses
- OCTA contracted with Element Markets Renewable Energy, LLC, to provide renewable natural gas and to manage LCFS Program
- OCTA generates LCFS credits from a State program with eligibility defined by the California Air Resources Board (CARB) and RINS from the Federal Government
- OCTA's earned credits are sold to conventional petroleum fuel producers

3

LCFS Credit Basics

- Low-carbon fuels with a Carbon Intensity (CI) lower than the annual compliance target generate credits. Credits are generated quarterly.



Element Markets Renewable Energy Contract

- March 14, 2016 – awarded contract to Element Markets
- Contract term is for 3 years with 2- 2 year options
- Contract required a minimum receipt guarantee bond equal to \$8,963,181
- Amount of bond was equal to revenue Element Markets projected OCTA would receive over initial term

Element Markets Renewable Energy Contract

- As of June, 2018 – OCTA received \$7,661,985 in revenue from sale of LCFS and RIN credits
- Elements Markets requested to pre-pay the remaining amount left on the minimum receipt guarantee bond (\$1,301,198)
- July 2, 2018 – Element Markets wired amount to OCTA
- Element Markets surpassed projections one year earlier than projected

Next Steps

- Revenue received is used to pay for bus service, fuel costs, and other transit-related capital equipment
- OCTA currently working with Element Markets to obtain necessary approvals from California Air Resources Board in anticipation of selling credits generated from use of hydrogen buses



September 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2018-19 Comprehensive Business Plan

Overview

The Orange County Transportation Authority's Comprehensive Business Plan is a strategic business tool utilized to ensure the financial viability of Orange County Transportation Authority programs and services. The plan assists the Orange County Transportation Authority in implementing its strategic goals and objectives within the framework of sound business practices, and demonstrates the financial feasibility of all programs and services over a 20-year horizon.

Recommendation

Approve the Fiscal Year 2018-19 Comprehensive Business Plan.

Background

The Comprehensive Business Plan (CBP) is updated annually as part of Orange County Transportation Authority's (OCTA) annual financial calendar to ensure the financial feasibility of OCTA's programs and services. The foundation of the CBP rests upon Board of Directors' (Board) direction and the input provided from each division within OCTA. Prior Board action coupled with divisional input are the basis for operating, capital, and revenue assumptions. Input from the divisions is also utilized to formulate program direction and revenue and expenditure assumptions for each project and/or program. These assumptions are then analyzed over the long term based on a variety of economic assumptions.

Though the CBP lays the foundation for future financial planning and demonstrates the financial feasibility of programs and services over a 20-year horizon, it does not authorize staff to enter into any contracts nor does it appropriate any funds. Decisions stemming from discussions related to specific programs and projects or associated funding appropriations are subject to future

Board approval through the annual budget process or through specific Board action.

Although the CBP is updated internally every year to establish internal budget targets and ensure the financial feasibility of OCTA's programs and services, it is typically presented to the Board every other year for adoption.

Discussion

The Proposed Fiscal Year (FY) 2018-19 CBP is divided into six programs as follows: Bus, Rail, Measure M2 (M2), 91 Express Lanes, Non-Program Specific Projects, and Motorist Services. Key revenue and expense assumptions as well as risk factors for each program are outlined below:

Bus Program

Based on current revenue and expenditure assumptions the Bus Program is sustainable over the next 20 years. The Bus Program is able to maintain existing service levels and meet all necessary capital requirements over the life of the plan. Key revenue assumptions for the Bus Program include continued sales tax growth, continued state and federal funding, and stabilization and eventual growth in ridership which will help increase fare revenue. The plan also includes fare increases every 10 years beginning in FY 2022-23. OCTA has not implemented a fare increase since FY 2012-13.

Key expenditure assumptions include maintaining existing fixed-route service levels, continued outsourcing of paratransit and a portion of fixed-route service, containment of cost growth for the paratransit program, and a useful life of 18 years on the large bus fleet. If OCTA can meet the preceding assumptions, the plan does include the potential to add fixed-route service in the future.

Key risks to the Bus Program include voter approval of Proposition 6, which would repeal Senate Bill (SB) 1 funding. Approval of Proposition 6 would eliminate more than \$19.2 million annually in funding for the Bus Program and require reductions in fixed-route service. Additional risks include softening of sales tax growth, continued declines in bus ridership, continued cost growth in the paratransit program, and the potential for unfunded mandates such as requirements to purchase costly zero emission buses in the future.

Additionally, in July 2016 the Federal Transit Administration published the Transit Asset Management (TAM) Final Rule. To comply with this rule all recipients and subrecipients of federal funds that own, operate, or manage capital assets used for providing public transportation must develop and

implement TAM plans. The TAM plan has a number of requirements with the goal being that agencies demonstrate that assets are being maintained in a state of good repair.

OCTA has developed a Transit Asset Management Plan (TAMP) in accordance with federal law. Currently the majority of assets within OCTA's TAMP are related to the Bus Program, though this will change upon completion of the OC Streetcar project. The TAMP will be used to develop the 20-year list of prioritized transit capital needs. In addition, the TAMP documents the various interdependent business processes, activities, and tools needed to manage OCTA's transit assets to ensure safe, reliable, and high quality transit service. A synopsis of the requirements of the TAMP and OCTA's efforts in meeting those requirements has been included in Attachment B.

Rail

Based on current revenue and expenditure assumptions the Rail Program is also sustainable over the next 20 years. Service level assumptions for Orange County are anticipated to remain at 54 weekday trains over the life of the plan. Key revenue assumptions for the Rail Program include continued M2 sales tax growth, which is the primary source for Metrolink operations, and continued state and federal funding.

Key expenditure assumptions include moderate annual growth in the Metrolink operating subsidy, and sufficient Federal and State funding to support Orange County's share of Metrolink's capital rehabilitation and replacement program. It is anticipated that the rail program will have limited funding available for capital projects outside of the current rehabilitation and replacement plan.

Key risks to the rail program include softening of M2 sales tax growth, unexpected growth in the Metrolink operating subsidy, as well as any decrease in state or federal funding, which is utilized primarily to fund rail capital expenditures.

M2

The assumptions included in the CBP for the M2 Program are consistent with the Next 10 Plan and Board-approved sales tax forecast methodology. The estimated M2 sales tax revenue available to support the M2 Program is \$13.1 billion. Based on current revenue and expenditure assumptions it is anticipated that OCTA will be able to deliver the programs and projects included in the M2 Plan and meet the commitments made to the voters.

The primary risks that could impact OCTA's ability to deliver the M2 Program over the long term include softening of sales tax growth as well as cost impacts due to competition for resources. The passage of Proposition 6 would also impact external funding available to support projects.

91 Express Lanes

Based on current revenue and expenditure assumptions the 91 Express Lanes will continue to meet the stated objectives of maximizing throughput through the corridor while meeting all financial commitments over the 20-year period. It is anticipated that the usage of the express lanes will continue to grow with an average increase in toll revenue of 3.4 percent over the 20-year period. Total operating expenses for the express lanes are anticipated to grow annually at a modest 2 percent driven primarily by the economies of scale achieved as a result of the joint operating agreement between OCTA and the Riverside County Transportation Commission. Capital requirements to maintain the express lanes are met over the life of the plan. Two State Route 91 widening projects totaling \$741.7 million are also included in the plan.

Risks to the 91 Express Lanes ability to meet its future financial obligations would include an economic recession that had substantial negative impacts on traffic volume or additional capacity to the 91 corridor which impacted traffic volume. Both of these scenarios would have direct impact on toll revenue. The 91 Express Lanes is well positioned financially, based on current reserve levels, to withstand impacts to toll revenue as a result of a recession.

Non-Program Specific Projects

The majority of OCTA's freeway and streets and roads projects are funded primarily through the M2 Program. In addition, the funding for transit projects generally comes from the M2 or Bus programs.

OCTA has committed to a handful of other projects including bikeways and pedestrian facilities, and the Vanpool and Rideshare programs, which are generally funded through State and Federal grant funds. As such, the sustainability of these programs is subject to continued State and Federal funding opportunities. OCTA will continue efforts to maximize the amount of state and federal funds received to support these programs into the future

Motorist Services

The Motorist Services Program consists of the Service Authority for Freeway Emergencies (SAFE) Program. SAFE includes the Freeway Service

Patrol (FSP), Freeway Call Box Program, and Southern California 511. The SAFE Program receives funding from several sources including Department of Motor Vehicle registration fees, funds from the State Highway Account as well as SB 1 funding. In addition to those sources, the FSP Program also receives funding from the M2 Program. It is anticipated that the M2 Program will contribute approximately \$155.6 million to support the FSP Program over the life of M2.

Based on current revenue and expenditure assumptions, it is anticipated that the Motorist Services Program will be sustainable over the 20-year horizon of the CBP. Potential risks to the program include continued funding from the State Highway Account as well as voter approval of Proposition 6. Should voters approve Proposition 6, the impacts to the FSP Program could be mitigated by the contributions of the M2 Program; however, using M2 Program funds to backfill SB 1 funding would limit the ability to expand the FSP Program in the future.

Summary

The CBP strives to provide the OCTA Board with an effective business planning tool for ensuring the financial feasibility of OCTA's programs and services. The Proposed Fiscal Year 2018-19 CBP documents the financial feasibility of OCTA to deliver its programs and services over a 20-year horizon.

Attachments

- A. Proposed Comprehensive Business Plan Fiscal Year 2018-19
- B. OCTA Transit Asset Management Plan (2018)

Prepared by:



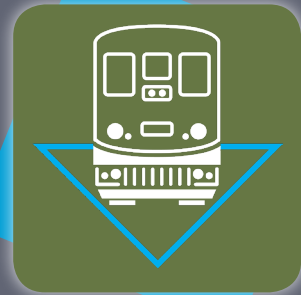
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714-560-5592

Approved by:



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

PROPOSED COMPREHENSIVE BUSINESS PLAN FISCAL YEAR 2018-19



WWW.OCTA.NET



ORANGE COUNTY TRANSPORTATION AUTHORITY

550 S. MAIN STREET, P.O. BOX 14184

ORANGE, CA 92863-1584



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Tom Tait
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Director

(Vacant)
Ex-Officio Member

CHIEF EXECUTIVE OFFICE

Darrell E. Johnson
Chief Executive Officer

September 24, 2018

To Chairwoman Lisa Bartlett & Members of the OCTA Board of Directors:

I am pleased to present the Fiscal Year 2018-19 Comprehensive Business Plan for the Orange County Transportation Authority (OCTA). This business plan provides the OCTA Board of Directors and the citizens of Orange County with a comprehensive summary of OCTA's transportation plans consistent with OCTA's mission to "develop and deliver transportation solutions to enhance quality of life and keep Orange County moving."

The Fiscal Year 2018-19 Comprehensive Business Plan is a financially constrained business planning tool providing a twenty-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the fiscal year 2019-20 budget. The plan details a comprehensive, multimodal approach ensuring the financial viability of each of OCTA's programs and is consistent with the goals of the OCTA's Strategic Plan, Next 10 Plan, and Designing Tomorrow.

The Fiscal Year 2018-19 Comprehensive Business Plan ensures that OCTA's core goals and objectives can be met over a twenty-year horizon, which will allow the OCTA to keep the promises made to the voters and continue to deliver on the transportation solutions that will ensure the citizens of Orange County maintain the quality of life and economic productivity they have come to expect and enjoy.

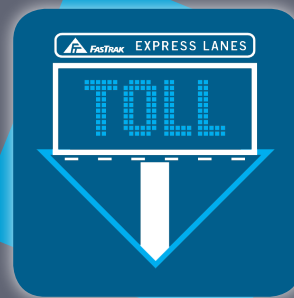
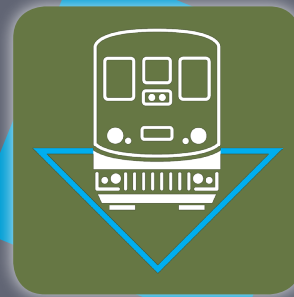
Sincerely,

Darrell E. Johnson
Chief Executive Officer

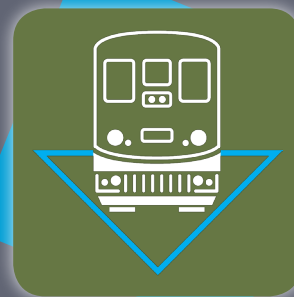


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INTRODUCTION



INTRODUCTION





Orange County Transportation Authority (OCTA) is governed by an 18-member Board of Directors (Board) consisting of five members of the Orange County Board of Supervisors, 10 city council members selected by the cities in the supervisorial district in which they represent, two public members selected by the other

15 board members, and a representative appointed by the Governor of California serving in a non-voting capacity. OCTA is managed by a Chief Executive Officer (CEO), who acts in accordance with the direction, goals, and policies articulated by the Board.



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Supervisor, 5th District



Tim Shaw
Vice Chairman
City Member, 4th District



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Director
City Member, 5th District



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City Member, 2nd District



Andrew Do
Director
Supervisor, 1st District



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City Member, 5th District



Michael Hennessey
Director
Public Member



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Director
City Member, 1st District



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City Member, 3rd District



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Director
Public Member

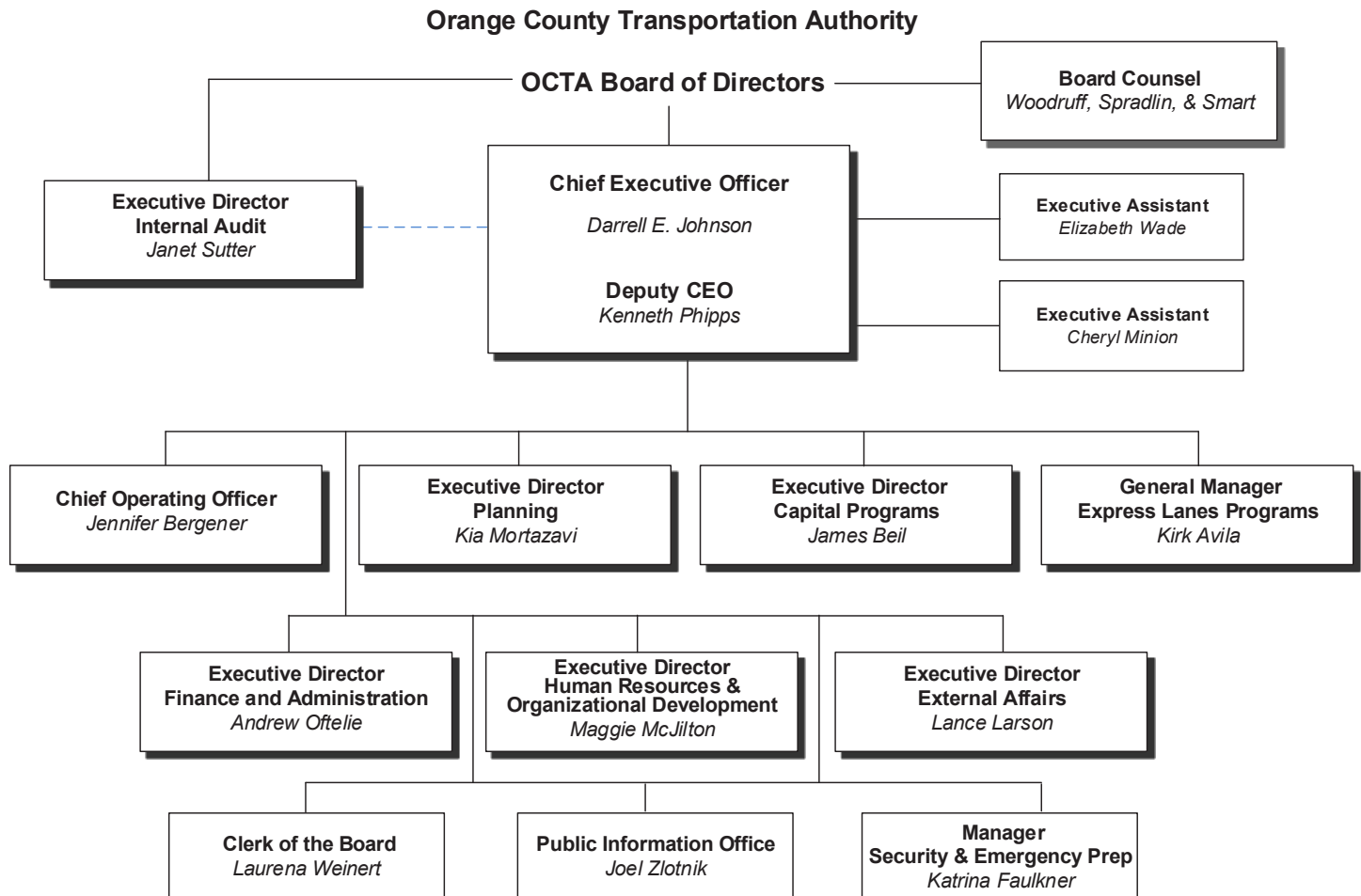


(Vacant)
Caltrans District 12
Ex-Officio Member



Introduction

Orange County Transportation Authority Organizational Chart



OCTA Vision

An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.

OCTA Mission

Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.

The Board of Directors has developed five goals to guide OCTA in achieving this vision and mission. These goals represent each aspect of the organization and encompass every division and employee of the OCTA.

Goals

- Mobility - Deliver programs, projects and services to improve the movement of people and goods throughout Orange County and the region.
- Public Service - Enhance customer satisfaction by understanding, connecting with and serving our diverse communities and partners.
- Fiscal Sustainability - Ensure fiscal health through prudent financial management and by protecting and leveraging available revenue sources.
- Stewardship - Embrace responsible policies and practices designed to promote environmental sustainability and enhance the safety and quality of life in Orange County.
- Organizational Excellence - Continue the tradition of being a high-performing organization through employee development and efficient business practices.

BRAVO 543 provides express service in Fullerton for the same price as a regular OCTA route.





Purpose of the Comprehensive Business Plan

The Comprehensive Business Plan (CBP) is a business planning tool designed to assist the Orange County Transportation Authority (OCTA) in implementing its strategic goals and objectives. The CBP encapsulates OCTA's programs and outlines their goals and objectives, as articulated by the Board. This is accomplished within the framework of sound business practices to provide an effective and efficient multi-modal transportation network to the residents of Orange County. Through the use of financial modeling and divisional input and review, a comprehensive study of economic influences and programmatic needs and objectives are incorporated into a business planning document to ensure the financial viability of each of OCTA's programs over a 20-year horizon.

The CBP is an evolving document that is updated regularly in response to the ever-changing social, political, and economic environment. The CBP lays the founda-

tion for the annual budget process and is consistent with the goals of the Strategic Plan, Measure M2 (M2), Next 10 Delivery Plan, and Designing Tomorrow, OCTA's Long-Range Transportation Plan.

The CBP also provides the framework to ensure that items brought to the Board in the future are consistent with long-range initiatives and are financially feasible. The CBP does not authorize staff to enter into any contracts nor does it appropriate any funds. Decisions on specific programs and projects and associated funding appropriations are subject to future Board approval through the annual budget process or through specific Board action.

Overview of Programs

As an organization, OCTA is comprised of six distinct programs with unique characteristics and objectives; however, these programs work together to accomplish OCTA's mission, "Develop and deliver transportation

Aerial view of Balboa Pier.



solutions to enhance quality of life and keep Orange County moving.” The programs include: Bus Operations, Rail, M2, Express Lanes, Non-Program Specific Projects, and Motorist Services.

Bus Operations

The Bus Operations Program is a core business unit of OCTA, which delivers fixed-route, express, limited-stop, Stationlink rail feeder, and complementary paratransit bus services for Orange County residents.

The fixed-route network provides bus service on 38 local lines, seven community lines, six inter/intracounty express lines, six Stationlink rail feeder lines, and two Bravo! (limited stop) lines. The local lines operate along major arterials comprising a “grid” network and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines may use smaller buses to accommodate roadway constraints or lower passenger demand and provide connections to the local lines. The limited-stop lines, called Bravo!, provide commuters and visitors with an efficient travel option to key destinations within major corridors. Express service provides a freeway-based service to major employment areas in Orange County and surrounding areas. Stationlink rail feeder service provides connector services for the Metrolink commuter rail system allowing Metrolink commuters to reach employment centers. OCTA paratransit services provide demand response bus service to persons with developmental and physical disabilities as required by the federal Americans with Disabilities Act (ADA), as well as bus service to transport elderly persons to destinations such as adult activity programs and health care providers.

Rail

The Metrolink Program is a regional rail system operated as a Joint Powers Authority (JPA) by the Southern California Regional Rail Authority (SCRRA). Five member agencies participate in the JPA serving the counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. OCTA is responsible for participating and providing the funding necessary to operate the three lines that serve Orange County. These lines include: the Orange County (OC) Line, Inland



Metrolink transportation can be used for work or pleasure.

Empire-Orange County (IEOC) Line, and 91 Line. The routes service rail commuters between Los Angeles, Orange, Riverside, San Bernardino, and San Diego Counties.

Measure M2 (M2)

In November 1990, Orange County voters approved Measure M (M1), a 20-year program for local transportation improvements funded by a one-half cent sales tax. OCTA delivered on the promises made to the voters completing more than \$4 billion of improvements while leveraging over \$1.2 billion in federal, state, and local funding. OCTA was able to deliver 192 lane miles of additional freeway capacity, modernize and improve 170 intersections and 38 freeway interchanges, provide \$1.3 billion dollars to improve streets and roads, and implement Metrolink service. On March 30, 2011, the collection of sales tax revenue under M1 concluded.

In November 2006, Orange County voters approved the renewal of the Measure M one-half cent sales tax, which will continue investment of local tax dollars in Orange County’s transportation infrastructure over a



Measure M2 funded traffic signal synchronization keeps Orange County Traffic flowing.

30-year period from April 2011 through March 2041. The M2 Transportation Investment Plan is a \$13.1 billion program that includes:

- Expanding and improving Orange County's freeway system
- Maintaining and improving the network of streets and roads in every community
- Expanding Metrolink rail service through the core of Orange County with future connections among nearby communities and regional rail systems
- Providing additional transit service for seniors and persons with disabilities
- Providing funds to clean up runoff from highways and roads

Express Lanes

The Orange County segment of the 91 Express Lanes is a four-lane, 10-mile toll facility extending from the State Route 55 (SR-55) on the west to the Orange/Riverside County line on the east. Authorized as one of four public-private toll road projects by the State of California the lanes were built at a cost of \$135 million and opened

in 1995 by the California Private Transportation Company (CPTC). In January 2003, OCTA acquired the 91 Express Lanes from the CPTC in order to clear the way for future improvements along the 91 Corridor. The 91 Express Lanes continue to be an important element in ensuring that traffic flows smoothly between Orange and Riverside counties. Commuters can save an average of 30 minutes on their drive time by using the 91 Express Lanes.

The OCTA, in cooperation with the California Department of Transportation (Caltrans), and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, is implementing the Interstate 405 (I-405) Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605). This project will add one general purpose lane from Euclid Street to I-605, consistent with M2 Project K, and will add an additional lane in each direction that will combine with the existing high-occupancy vehicle (HOV) lane to provide dual express lanes in each direction of I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes. On November 14, 2016, OCTA Board

awarded the \$1.2 billion design-build (DB) contract to OC 405 Partners. Construction on the project began in 2018 and will be completed in 2023, with the Express Lanes portion of the project scheduled to open in early 2023.

Non-Program Specific Projects

The majority of significant freeway, street and roads, and transit projects are funded primarily through the M2 Program. OCTA has also committed to a handful of projects not funded through the M2 Program. These projects are funded using other local, state, and federal sources and include the Vanpool, Rideshare, and Active Transportation Programs.

Motorist Services

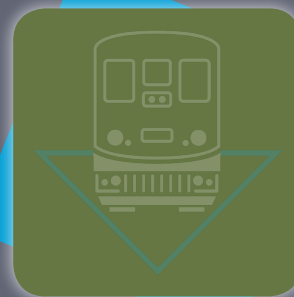
The Service Authority for Freeway Emergencies (SAFE) program provides Freeway Callbox System and Free-

way Service Patrol (FSP) services, both of which are designed to assist motorists in emergency situations and reduce traffic congestion. SAFE also provides funding toward the Southern California 511 Program. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via the internet and a toll-free number with an interactive voice response system.

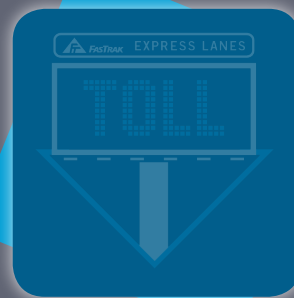
Orange County's welcome sign on the Interstate 5 in Buena Park.

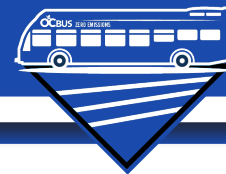


BUS PROGRAM



BUS PROGRAM





Background

Orange County began transit operations in the fall of 1972 through establishment of the Orange County Transit District (OCTD) by state legislation with eight local fixed-routes. Today, service consists of 59 bus routes and annual boardings exceed 39 million.

Bus services are tailored to various market demands and needs. These services include local fixed-route, community fixed-route, express, limited-stop, Stationlink rail feeder, and complementary paratransit bus service. The fixed-route network provides bus service on 38 local lines, seven community lines, six inter/intracounty express lines, two limited-stop lines, and six Stationlink rail feeder lines. The local lines operate along major arterials comprising a “grid” network and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines use smaller buses to accommodate for roadway constraints or lower passenger demand and provide connections to the local lines. The Express Service provides a freeway-based service to major employment areas in Orange County and surrounding areas. The limited-stop lines are provided on select local route corridors and are designed to provide an attractive rapid transit option for Orange County commuters and visitors by decreasing travel time and improving travel speed within high use corridors, while offering connections to key destinations, major attractions, and Metrolink train services. Stationlink rail feeder service is provided to the Metrolink commuter rail stations in Orange County that are considered destination stations, ensuring a connection between rail stations and employment centers for Metrolink commuters. In addition, the Orange County Transportation Authority (OCTA) operates seasonal service on five weekends in July and August from nine locations to the Orange County Fair.

OCTA also provides special needs transportation services under four program elements, Americans with Disabilities Act (ADA) ACCESS paratransit service, non-ADA taxi, special agency services, and community transportation programs. ACCESS provides demand response bus service to persons with developmental and physical disabilities as required by the



OCTA's Compressed Natural Gas Bus on the go.

ADA. OCTA offers non-ADA same day taxi service to ACCESS-eligible customers and subsidizes trips to adult daycare programs on alternative transportation services. In addition, OCTA funds and administers community transportation services offered through the Senior Mobility Program (SMP) and federal grant programs.

Fixed-Route Service

In order to provide a sustainable level of bus service throughout the county, OCTA decreased service by a total of 383,000 revenue vehicle hours (RVH) in fiscal year (FY) 2008-09 and FY 2009-10 in response to dramatically decreasing revenues. To continue on a sustainable path, OCTA developed and implemented a plan to mitigate operating costs by increasing contract service levels up to 40 percent of the total fixed-route service. As transit operations staff attrited, directly operated service was converted to contract service proportionately, subject to financial and operational considerations. Currently, approximately 39.1 percent of fixed-route service is operated by the contractor.

Significant service reductions precipitated by the recession put a strain on customers and service delivery. As the economy recovered, OCTA was able to increase service levels from 1.552 million hours at recession



Bus Program



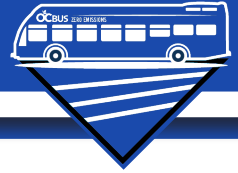
ACCESS provides a transportation option for Orange County's senior and disabled residents.

induced lows to 1.602 million in FY 2018-19, an increase of 3.2 percent or 50,000 hours. Over that time period, Bravo! Service commenced and schedule maintenance hours were added in order to mitigate overcrowding conditions and increase on-time performance. Despite service increases, boardings have decreased by 23.8 percent or 12.2 million since FY 2010-11 to 39 million boardings in FY 2017-18. Efforts have been underway to increase bus system ridership by improving bus travel times and frequencies, expanding access to routes and real-time arrival information, introducing mobile ticketing, evaluating new pricing options through a fare study, and increasing awareness of the bus system. The 2016 Bus Service Plan (OC Bus 360°) is a major component of the effort to improve service and is expected to grow ridership by reallocating the resources used on lower performing routes to areas with higher demand.

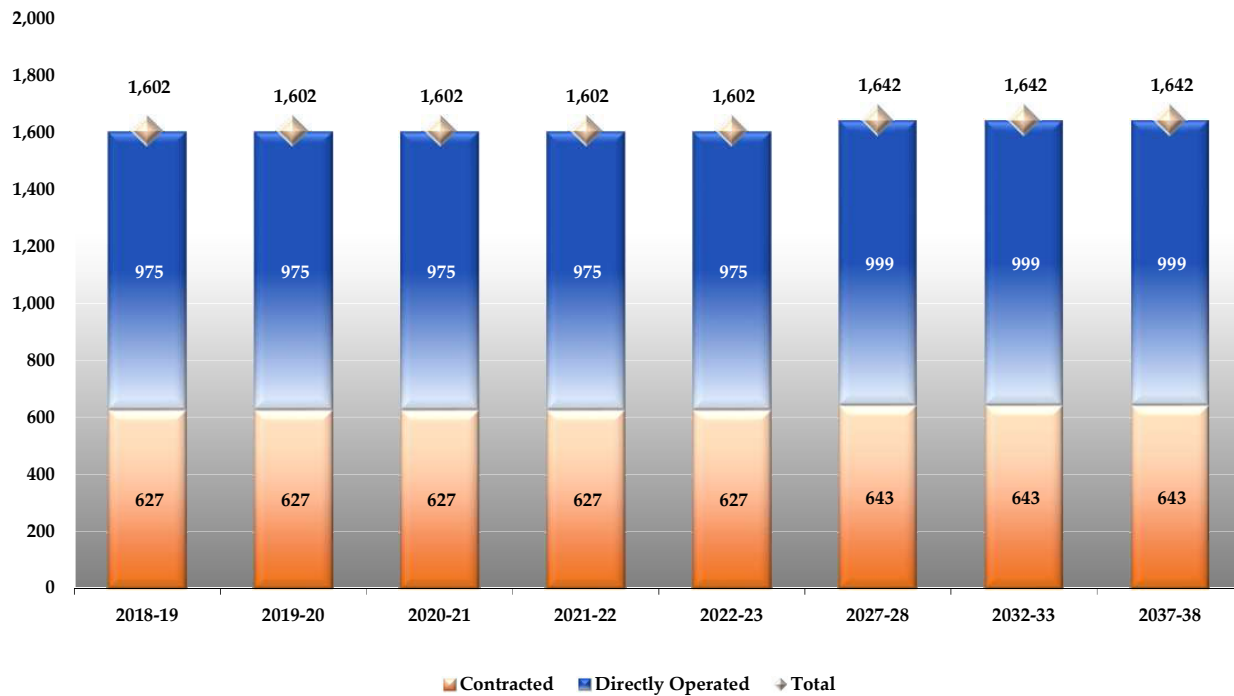
Based on the significant ridership decline and declining revenue sources, staff prepared a cost-neutral route optimization plan to grow ridership. The plan reallocates resources currently used on lower-performing routes to areas with higher demand to improve bus frequencies and customer travel times.

This approach is consistent with the recommendations from an American Public Transportation Association Peer Review and OCTA's Transit System Study. OCTA anticipates an increase in boardings over the long-term due to general growth in both population and the economy. This may be slightly mitigated by scheduled fare increases every ten years. The next anticipated fare increase is scheduled to occur in FY 2022-23. Fare increases are essential to ensuring a sustainable level of service because the primary source of funding for operations, Transportation Development Act (TDA) funds, legally requires OCTA to maintain a minimum 20 percent farebox recovery ratio to maintain funding. Fare increases are subject to future Board approval and would require extensive public outreach and a public hearing. OCTA would also have to conduct a federally required Title VI analysis to ensure that the fare adjustment does not disproportionately impact low-income or minority customers.

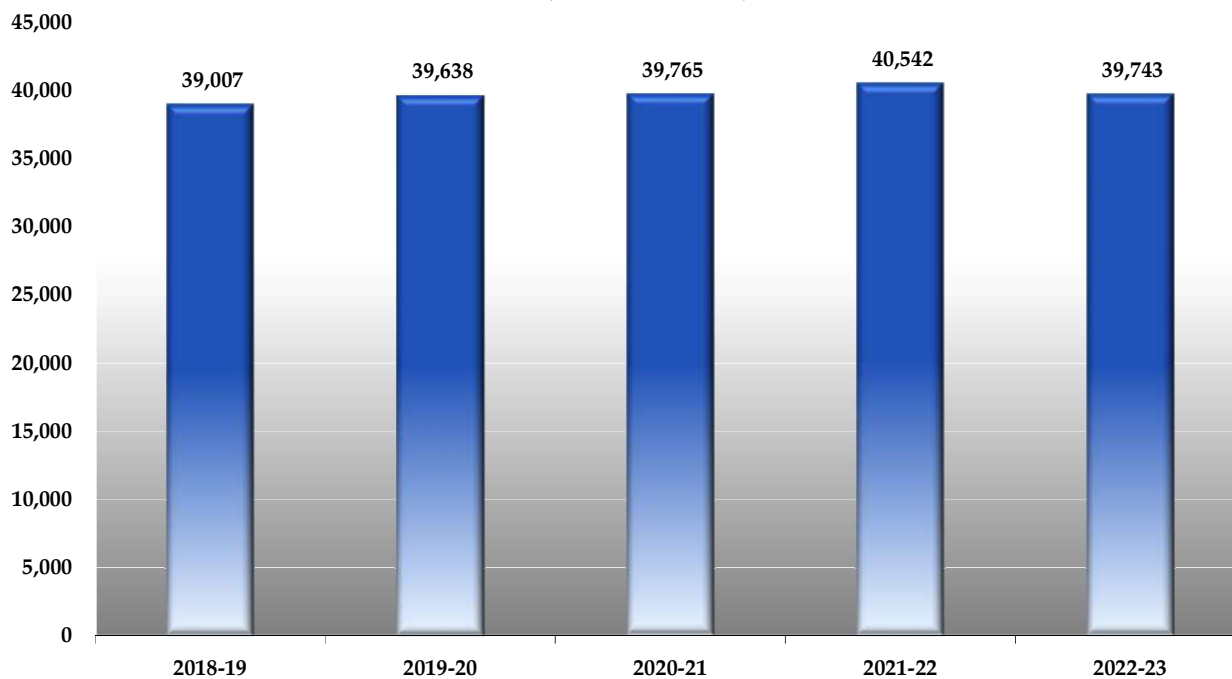
Figure 1 illustrates the annual RVH projected through FY 2037-38. In order to attain the 40 percent outsourcing level, OCTA increased contract service RVH from 0.10 million in June 2010 to 0.63 million in June 2018. This annual RVH projection is based on the assump-



**Figure 1 - Fixed Route Revenue Vehicle Hours
(in thousands)**



**Figure 2 - Fixed Route Boardings
(in thousands)**





Bus Program

tion that OCTA will receive Senate Bill 1 (SB1) funding for the next 20 years. A repeal of SB1 will cause a significant impact on OCTA's bus program financially, and possibilities such as service reduction might need to be considered in order to sustain the bus program. **Figure 2** illustrates the estimated annual boardings through FY 2022-23.

Local Bus Service

Local Bus Service represents the majority of transit options offered throughout Orange County. Currently, 45 local bus routes operate along the major arterials comprising a "grid" network. Of these 45 routes, seven are community routes; these are operated by the contracted fixed-route provider.

Inter/Intracounty Express Service

Express routes operate Monday through Friday during peak hours targeting longer distance home-to-work commuters. Service operates primarily on freeways, utilizing the high-occupancy vehicle (HOV) network where possible, to offer customers travel times comparable to travel by automobile.

Rail Feeder Service

Rail feeder services were introduced to transport commuter rail passengers between Metrolink train stations and their employment destinations in Orange County. Stationlink buses travel over a defined route with intermittent stops located at major employment centers. A total of six Stationlink routes operate weekdays during the morning and evening commute periods. Metrolink passengers may board Stationlink routes free of charge.

Special Bus Service

Limited-Stop Service

Limited-stop service is designed to offer more frequent service and reduce travel times along the corridor. Known as Bravo! Routes, OCTA operates both routes during peak hours, with service on the Harbor Boulevard corridor seven days a week and service on the 17th Street/Westminster Avenue corridor Monday through Friday. Service on Beach Boulevard is expected to commence in FY 2018-19.

Xpress Service

Xpress service is a new, faster commute option on the Main Street, Bristol Street, and Bolsa Avenue/First Street routes. This service skips many of the low volume stops to help patrons get to their destination faster. Service runs on weekdays from 6 a.m. to 6 p.m.

OC Flex Pilot Service

OC Flex Pilot Service is a shared-ride micro-transit service that will cover approximately six square miles in Huntington Beach and South Orange County. This service will provide riders the ability to book and pay for a ride in real-time through the use of a mobile application. Service will begin in the fall of FY 2018-19.

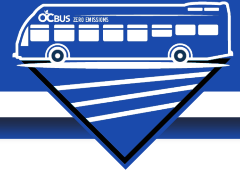
Seasonal Service

Since 2011, OCTA has operated service to the Orange County Fair. Funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC), this service offers a convenient and attractive alternative to automobile travel by providing reliable and efficient, non-stop express bus service directly to the Orange County Fair from nine locations within Orange County. Continuing for a third year is the Laguna Beach Summer Breeze Service. This service allows patrons to visit Laguna Beach on the weekends without the hassle of finding a parking space within the city.

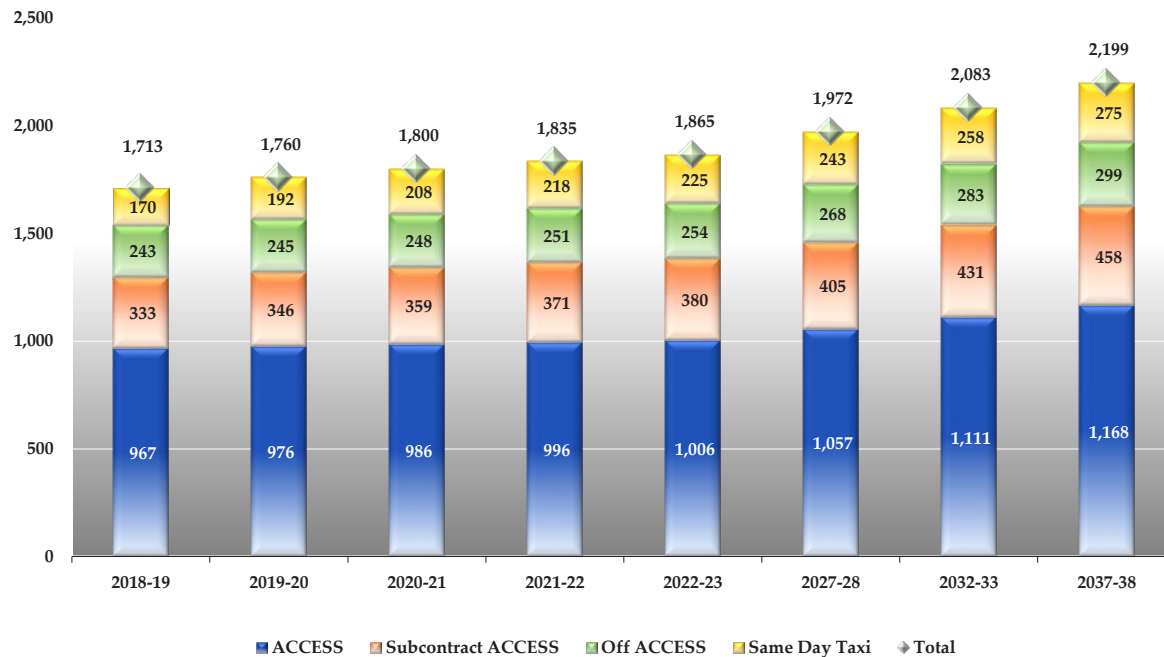
Paratransit

As a provider of public fixed-route transit services, OCTA is required by the ADA to provide complementary paratransit services, known as ACCESS, for individuals whose disabilities prevent them from using regular transit service. In addition, OCTA funds and administers other special needs transportation programs to help reduce the demand and cost of ACCESS service.

Implementation of a Growth Management Plan reduced the double-digit growth experienced in the first half of the last decade. However, growth in this area is anticipated over the long-term. OCTA forecasts ACCESS service levels to increase by as much as 21,000 RVH or four percent from FY 2018-19 through FY 2022-23. ACCESS currently accounts for 25 percent of the total RVH provided by OCTA, but is projected



**Figure 3 - Paratransit Trips
(in thousands)**



to account for up to 28.2 percent by FY 2037-38. **Figure 3** illustrates the projected total paratransit trip growth through FY 2037-38.

ACCESS Service

OCTA's complementary ADA paratransit services are currently provided by MV Transportation (MV). These contracted services are operated from OCTA's Irvine Construction Circle facility. Trips provided by MV account for approximately 58 percent of all paratransit trips. MV sub-contracts with a taxi service to provide ACCESS trips during peak periods which helps OCTA keep the size of the ACCESS fleet from increasing significantly. In addition, these supplemental taxi services are currently being utilized to increase efficiency during non-peak periods, in an effort to decrease total ACCESS costs and increase total system efficiency. The use of supplemental taxi services is one of a variety of cost mitigation measures being employed.

Non-ADA Taxi, Special Agency Services, and Transportation Network Companies

A critical component of the Growth Management Plan was development of less costly services. Unlike standard ACCESS service, these services are not specifically meant to provide complementary paratransit ser-

vice, but to expand the transportation choices available to persons who might have otherwise used ACCESS. OCTA has developed partnerships with special agencies that provide day programs for special needs individuals or seniors with chronic medical conditions. Under these partnerships, OCTA provides a partial operating subsidy to the program and the agency now has the responsibility for providing the trip to and from the program. Trips are only reimbursed if the individual has ACCESS eligibility and if the trip is within the ACCESS service area. In addition, OCTA offers a non-ADA same-day taxi service which allows ACCESS eligible customers to schedule a partially subsidized taxi trip, significantly reducing OCTA's cost per trip. The Same-day Taxi Program has expanded to provide services over a greater coverage area.

Community Transportation Programs

OCTA also supports the development of community-based transportation services for seniors, persons with disabilities, and persons of low income. Under the SMP, OCTA currently provides M2 funding to 31 cities and transit funding to four non-profit organizations to support local senior transportation services. In addition, OCTA administers grant funds under the Federal Transit Administration's (FTA) Section 5316 Job Access



Bus Program



OCTA's Santa Ana Bus Base.

and Reverse Commute (JARC) and Section 5317 New Freedom programs where approximately \$15 million in funding over the past eight years have supported a variety of projects including mobility management programs, travel training, volunteer driver programs, and new transportation services which benefit the JARC and New Freedom populations. OCTA continues to operate the JARC funded program entitled

Vocational Visions, utilizing the funding for trips on this program for OC ACCESS service.

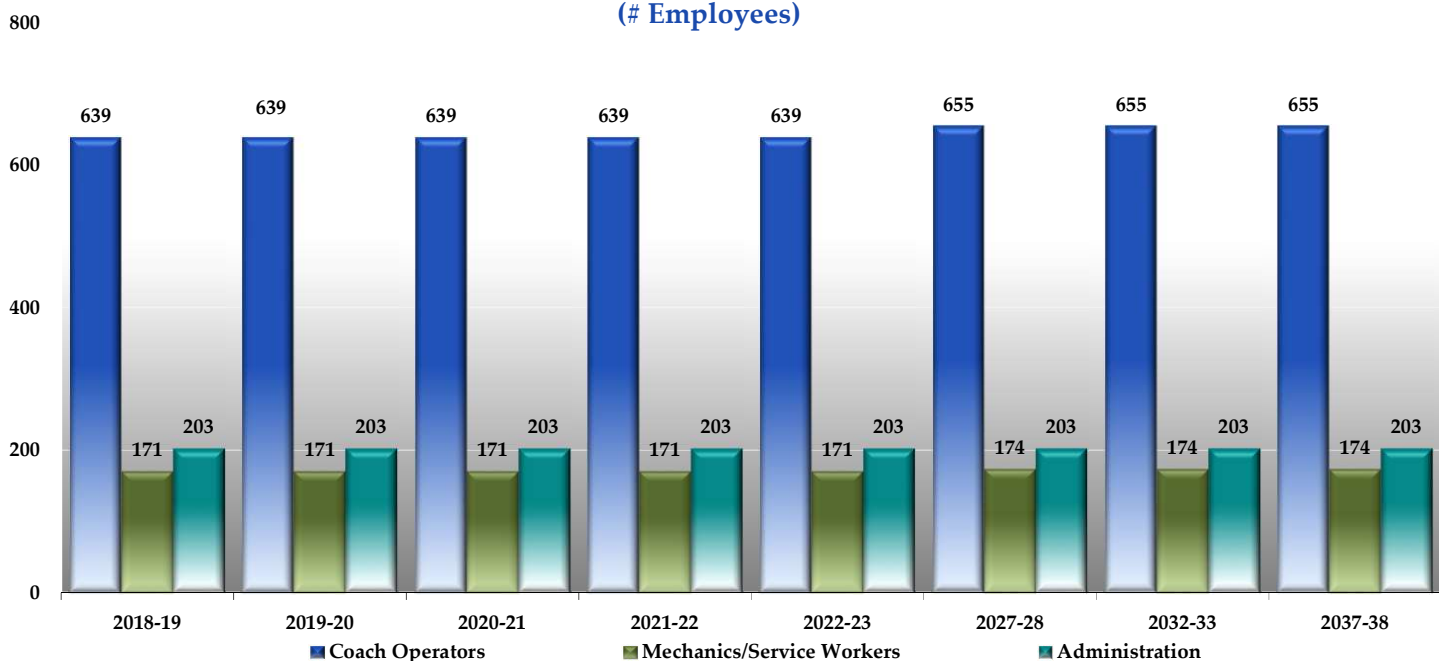
Transit Staffing

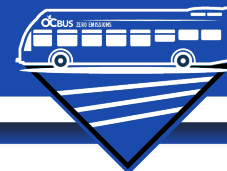
Figure 4 presents the projected staffing levels for FY 2018-19 through FY 2037-38 for the Bus Operations Division. Coach operators, supervisory personnel, mechanics, bus service workers, and administrative staff are represented in the table.

Capital Expenditures

Capital expenditures in the OCTD Fund include a variety of expenses such as: revenue vehicle replacement, support vehicles, fueling infrastructure, radio systems, vehicle and facility rehabilitation, and miscellaneous equipment. The funding for these costs is comprised of both grant and local sources. Grant funding includes sources from federal, state, and local agencies that typically cover up to 80 percent of the asset cost. The local portion, or 20 percent match, is paid from the capital replacement fund. Since the beginning of the recession, OCTA has used 5307 funds for traditional operating purposes to a greater extent than in prior years. This has expedited the receipt of 5307 funds and

**Figure 4 - Projected Transit Staffing Plan
(# Employees)**





allowed OCTA to deposit the funds earlier and collect additional interest earnings. The interest earnings are then used to fund operating and capital expenditures.

Bus purchases and replacement of critical infrastructure components are costly. A single 40-foot bus powered by compressed natural gas costs approximately \$600,000, while a 60-foot bus costs approximately \$930,000. An essential component of running a fiscally responsible operation is ensuring capital requirements are satisfied. Timely replacement of capital ensures stable operations and decreased expenses associated with maintenance of equipment that has operated beyond its useful life. OCTA maintains a useful life of 18 years for 40-foot and 60-foot buses, seven years for mid-size buses, and seven years for the paratransit fleet. Adherence to a capital replacement cycle enables OCTA to maintain high equipment standards and plan for the subsequent costs on an annual basis. The State of California is currently considering an unfunded mandate on transit agencies to transition all transit fleets to zero emission bus (ZEB) technology by 2040. This could potentially be extremely costly to transit agencies like OCTA. However, the new requirement will not affect OCTA for several years. Projected FY 2018-19 through FY 2022-23 expenditures are summarized in **Figure 5**.

Fixed-Route

Details of the type and average age of OCTA's large bus fixed-route active fleet is shown in **Figure 6**. Currently, OCTA's active bus fleet consists of 510 vehicles with 287 vehicles designated for directly operated fixed-route use and 223 designated for contracted fixed-route service, as shown in **Figure 7**.

Over the next five years OCTA plans to purchase approximately 18 new revenue vehicles. The current

Figure 6 - Fixed-Route Fleet Age by Bus Type

Fuel Type	Average Age (Years)
Forty Foot	7.1
Sixty Foot Articulated	3.1
Mid-Size	3.0
Average Age	6.6

fleet plan anticipates the purchase of 18 mid-size buses over a five-year window. As service conditions change, the composition of the fleet will be revisited regularly to ensure the proper mix of buses within the fleet.

ACCESS

The current paratransit active fleet consists of 248 vehicles, as seen in **Figure 8**, which represents 33 percent of OCTA's active fleet. RVH are used to project the required number of vehicles necessary to operate this service. The plan assumes replacement of 116 vehicles as well as expanding the fleet by 10 vehicles within the next five years. A variety of strategies are being considered to manage the projected demand for service growth. Strategies include using other supplemental services, providing mobility training to current ACCESS riders to use fixed-route, and working with programs to explore their role in the provision of trips for program participants. These strategies and others could help reduce costs and mitigate the growth rate of the fleet.

Reserves

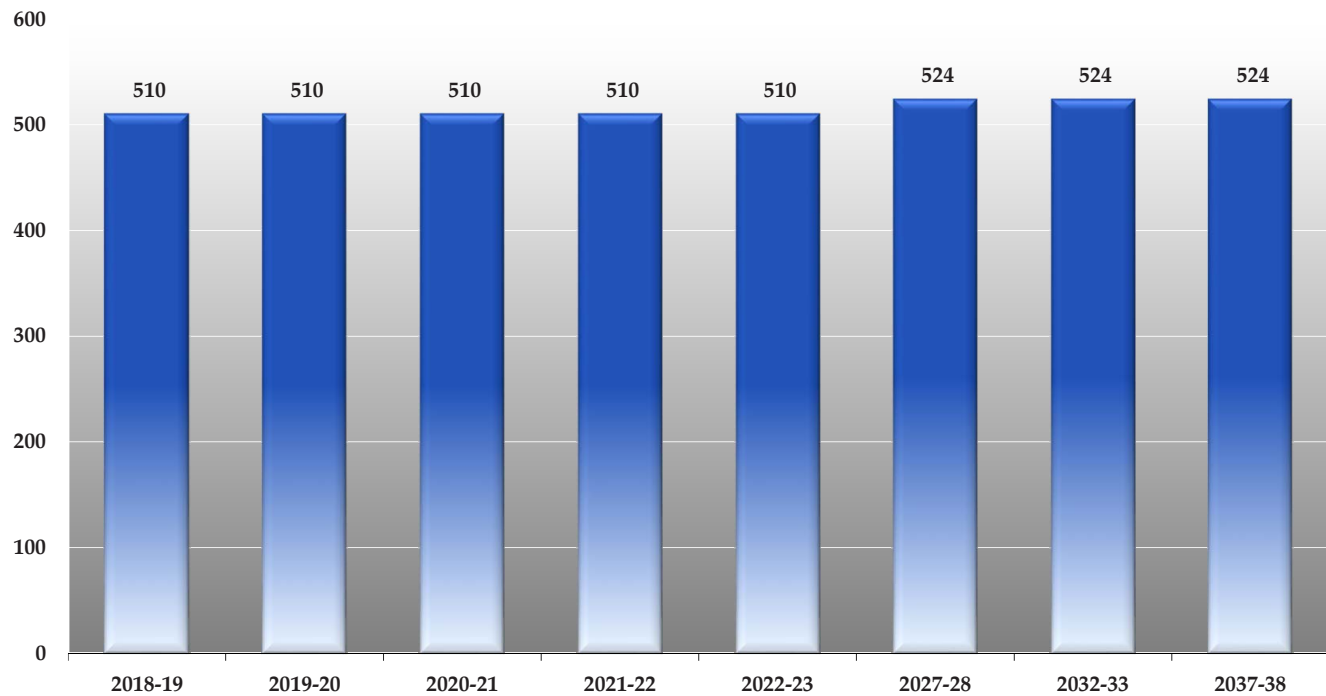
A capital replacement fund is utilized to plan and account for capital replacement purchases. Ensuring the organization has the funds required to replace capital assets allows OCTA to eliminate financing costs associated with purchases and accrue interest earnings on the cash balance. The Capital Replacement Fund is sufficient for OCTA to maintain the proposed capital replacement schedule for all assets needed to maintain county-wide bus service through the end of the plan. OCTA also maintains a separate 45-day operating reserve in order to minimize impacts to cash flow due to fluctuations in operating revenues and expenditures.

Figure 5 - Fixed Asset Replacement (in millions)

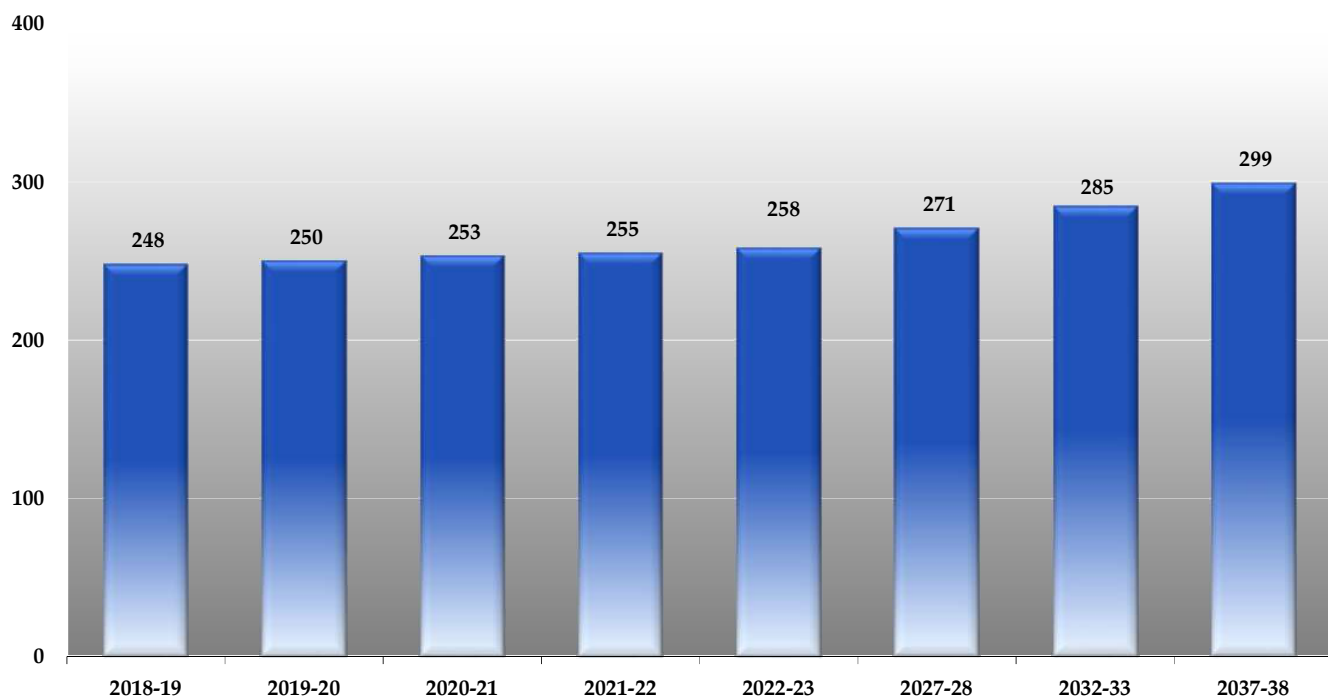
Asset Category	2018-19	2019-20	2020-21	2021-22	2022-23
Large Bus Replacement	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Support Equipment	1.4	18.9	0.6	2.7	0.6
Vehicle Modifications	0.7	0.5	0.0	0.0	4.2
Small Bus Replacement	0.1	0.3	2.9	18.9	0.5
Facility Modifications	12.0	6.2	4.5	4.9	5.8
Total Capital Purchases	\$14.3	\$25.9	\$8.0	\$26.5	\$11.1

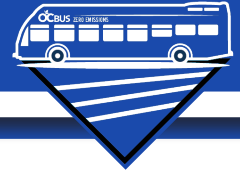


**Figure 7 - Fixed -Route Fleet Size
(# buses)**



**Figure 8 - Paratransit Fleet Size
(# buses)**





Bus Operations Revenue

Bus Operations is dependent upon external revenue sources to supplement farebox revenue and help offset operating expenditures for fixed-route and paratransit services. The primary revenue sources are comprised of: the Local Transportation Fund (LTF), State Transit Assistance Fund (STAF), federal operating grants, SB1, and property tax contributions.

The major funding source that allows OCTA to provide transportation services to Orange County residents is the LTF, a one-quarter cent state sales tax signed into law as part of the TDA in 1971. Funding from the LTF covers approximately half the operating costs for services. The growth rate of sales tax revenue is dependent upon the state of the economy and any fluctuations can have a significant impact over the life of the plan. Therefore, this business plan will be revisited periodically to ensure that service levels are appropriately planned to meet revenue projections. **Figure 9** illustrates the revenue sources projected through FY 2022-23.

Since post-recession lows, LTF sales tax has grown each year. In recent years, however, the rate of increase has fallen short of expectations, primarily due to changes in consumer behavior and tax codes. In 2012, California implemented Assembly Bill 153, frequently referred to as the “Amazon Tax”. This law requires taxes be imposed on internet sales. As internet-based sales have increased and brick and mortar sales have decreased, the composition of LTF sales tax revenues has changed. As a “point of sale” tax, LTF sales tax

revenues have failed to meet projections in Orange County over recent years. This is primarily attributed to online purchases that are sold and shipped from distribution centers outside Orange County. Due to the structural change in this revenue source, the forecasting methodology for LTF sales tax has changed. In the first five years, an LTF-specific forecast devised by Muni Services is being utilized. The blended rate forecast from the three universities (Chapman, California State University, Fullerton, and University of California, Los Angeles) is used for the remaining years. The CBP utilizes the FY 2018-19 budget forecast of 2.90 percent for the base year and a modest average growth rate of 3.07 percent for the life of the plan.

The CBP anticipates STAF revenues of approximately \$19.7 million in FY 2018-19. Throughout the life of the plan STAF revenues are anticipated to remain flat.

On December 4, 2015, Congress passed and the President signed into law the Fixing America’s Surface Transportation (FAST) Act, H.R. 22. The FAST Act authorizes funding for a five-year period through the end of federal fiscal year (FFY) 2020. The total authorized funding levels in the FAST Act are \$305.5 billion over the five-year period.

All transit program funding grows under the FAST act. FTA 5307 funding is expected to grow from \$50.4 million in FY 2018-19 to \$65.9 million in FY 2037-38. FTA 5337 and 5339 are expected to grow from \$8.4 million in FY 2017-18 to \$10.2 million in FY 2037-38. This amounts to an expected FTA revenue of \$1.5 billion over the 20-year period.

In April 2017, Governor Jerry Brown signed SB1 in the State of California. This bill is expected to generate \$52.5 billion over the next ten years, with approximately \$7.5 billion going directly to transit operations and capital for transportation entities around California. OCTA expects to receive approximately \$16.3 million of operating and \$6.8 million of capital annually or \$494 million over the next 20-year period. This revenue will be collected by raising gasoline and diesel excise taxes, new fees on all vehicle registration renewals, and a new annual fee on zero-emission vehicles.

Figure 9 - Bus Operations Revenue (in millions)

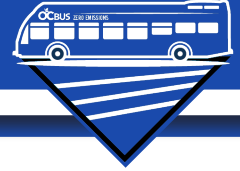
Sources	2018-19	2019-20	2020-21	2021-22	2022-23
Sales Tax Revenue	\$ 159.0	\$ 162.5	\$ 165.9	\$ 169.2	\$ 172.6
Federal Formula Grant 5307	50.4	51.7	53.5	55.3	56.7
Passenger Fares	48.4	49.3	49.5	50.4	55.3
State Transit Assistance	19.7	19.7	19.7	19.7	19.7
Property Tax Revenue	16.9	17.7	18.3	18.9	19.5
Senate Bill 1	16.3	16.3	16.3	16.3	16.3
Miscellaneous Revenues	7.3	5.5	5.5	5.5	5.6
Advertising Revenue	4.0	4.1	4.2	4.3	4.4
Measure M	3.5	3.6	3.6	3.7	4.1
Rail Feeder	2.1	2.2	2.3	2.2	2.2
CMAQ	2.0	2.0	2.0	2.0	2.0
Interest	1.3	1.6	2.0	2.2	2.5
Total	\$ 330.9	\$ 336.0	\$ 342.7	\$ 349.6	\$ 360.7



Bus Program

OCTA's fare revenue is directly tied to ridership. Boardings across the fixed-route system have decreased by 1.8 percent from FY 2016-17 to FY 2017-18. Fluctuations in boardings continue to have a significant impact on fare revenues. For every boarding lost or gained, revenue changes by approximately \$1.01. As discussed earlier, OC Bus 360° is continuing and is part of a comprehensive approach to addressing declining ridership on the fixed-route system. As part of the Global Warming Solutions Act of 2006 (AB 32), Cap and Trade Programs were implemented that will provide supplemental funding to transportation programs. The Low Carbon Transit Operations Program (LCTOP) was implemented under AB 32 and among many other eligible uses, it can be utilized to subsidize fare discount programs. As part of the comprehensive effort to increase bus ridership, LCTOP funds have been authorized to provide fare discounts to Orange County bus riders through various programs and promotions. LCTOP funds will backfill the revenue lost for promotional or free fare and discounted fare programs, increasing ridership while maintaining fare revenues. In FY 2017-18, the first of several anticipated pilot programs began; by providing the students of Santa Ana College with discounted fares. As the economy grows, promotional programs are implemented, and OC Bus 360 takes full effect, ridership and fare revenues are anticipated to stabilize and may continue to be augmented by fare increases every ten years beginning in FY 2022-23.

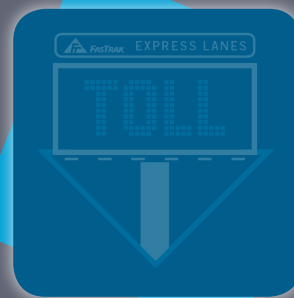
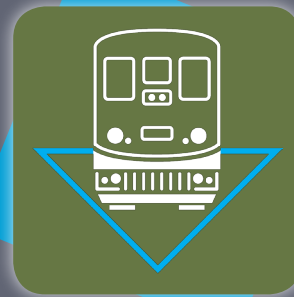
Bus Program Major Assumptions	
Service and Costs:	
1	Additional 40K hours of fixed-route service in FY 2023-24
2	Paratransit trip growth is 1.1 percent and maintained on an annual basis
3	Large bus useful life - 18 years
4	Small bus useful life - seven years
Revenues:	
1	Sales tax annual average growth rate of 3.1 percent
2	Boardings annual average growth rate of 1.5 percent
3	25 percent fare increase every 10 years beginning FY 2022-23
4	SB1 operating revenue of \$16.3M annually for 20 years
5	SB1 capital revenue of \$6.8M grown annually by forecasted CPI
6	STAF revenue of \$19.7M annually for 20 years
7	Federal revenue grows an average of 2.3 percent over the plan's 20 years
8	Maintain capital replacement fund
Bus Program Risks	
1	SB1 repealed
2	Softening of sales tax revenue growth
3	Continued declines in bus ridership
4	Paratransit trip growth exceeds 1.1 percent annually
5	Unfunded mandates (i.e. zero emission bus purchase)



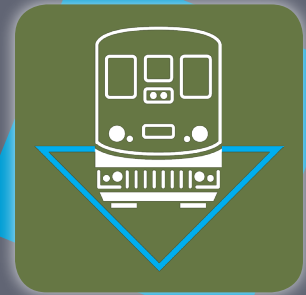
Cash Flow Statement - Bus Program

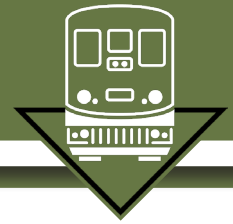
(millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance - operating	\$ 49.9	60.6	68.2	71.8	71.7	71.7	25.4	66.1
Cash flows from operating activities:								
Sources of funds:								
Sales tax revenue	159.0	162.5	165.9	169.2	172.6	202.8	239.7	283.3
Federal formula grant 5307	50.4	51.7	53.5	55.3	56.7	66.7	74.0	73.2
Passenger fares	48.4	49.3	49.5	50.4	55.3	66.1	78.0	92.3
State transit assistance	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.6
Property tax revenue	16.9	17.7	18.3	18.9	19.5	23.0	27.1	31.9
Senate Bill 1	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Miscellaneous revenues	14.9	13.3	13.4	13.4	13.8	13.1	14.5	16.1
Advertising revenue	4.0	4.1	4.2	4.3	4.4	5.0	5.6	6.3
Interest	1.3	1.6	2.0	2.2	2.5	3.4	2.0	3.4
Total sources of funds	\$ 330.9	336.0	342.7	349.6	360.7	416.0	476.8	542.4
Cash flows from operating activities:								
Uses of funds:								
Salaries and benefits	115.3	118.8	122.3	129.0	132.7	155.5	163.2	188.7
Purchased transportation services	92.8	96.1	99.8	101.3	103.3	121.3	140.6	162.1
Administrative service expense	41.1	43.0	45.0	47.1	49.2	61.1	67.6	84.4
Professional services	19.0	19.5	20.0	20.5	21.1	24.4	27.4	30.6
Maintenance, parts and fuel	16.7	17.3	17.9	18.6	19.3	23.7	28.6	34.6
General and administrative	4.1	4.2	4.4	4.5	4.6	5.3	6.0	6.7
Other operating expense	3.2	3.3	3.4	3.5	3.6	4.2	4.8	5.4
Designation to capital	27.9	26.3	26.2	25.2	23.1	28.6	27.2	32.5
Total uses of funds	\$ 320.2	328.4	339.0	349.8	356.9	424.2	465.4	545.1
Net cash provided by operations	\$ 10.7	7.6	3.7	(0.1)	3.8	(8.2)	11.4	(2.7)
Available cash - operating	\$ 60.6	68.2	71.8	71.7	75.5	63.5	36.8	63.4
Beginning balance - capital	\$ 261.9	300.2	322.1	363.5	387.6	337.6	453.6	453.1
Cash flows from capital activities:								
Sources of funds:								
Contribution to capital	27.9	26.3	26.2	25.2	23.1	28.6	27.2	32.5
Federal Formula Grants 5337/5339	8.4	8.6	8.8	8.9	9.1	10.1	11.2	12.3
Senate Bill 1	6.8	7.0	7.1	7.3	7.4	8.3	9.3	10.4
Miscellaneous revenues	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	4.7	6.1	7.3	9.2	10.7	13.7	18.3	18.4
Total sources of funds	\$ 52.6	47.9	49.4	50.6	50.4	60.6	65.9	73.6
Cash flows from capital activities:								
Uses of funds:								
Capital expenditures	14.3	25.9	8.0	26.5	11.1	42.0	9.6	38.8
Total uses of funds	\$ 14.3	25.9	8.0	26.5	11.1	42.0	9.6	38.8
Net cash provided by capital activities	\$ 38.3	22.0	41.4	24.1	39.3	18.6	56.4	34.8
Available cash - capital	\$ 300.2	322.1	363.5	387.6	426.9	356.2	509.9	487.9

RAIL PROGRAM



RAIL PROGRAM





Passengers travel by Metrolink for their daily commute.

Background

Metrolink's five-agency membership includes the Orange County Transportation Authority (OCTA), Los Angeles County Metropolitan Transportation Authority (LA Metro), Riverside County Transportation Commission (RCTC), San Bernardino County Transportation Authority (SBCTA), and Ventura County Transportation Commission (VCTC). Metrolink operates 171 weekday trains and 90 weekend trains on seven routes, serving 62 stations, and on average carries more than 42,000 riders each weekday.

Service Levels

There are three lines that provide service to Orange County. The Orange County (OC) Line service began in 1994, followed by the Inland Empire – Orange County (IEOC) Line in 1995, and the 91 Line in 2002. The three lines serving Orange County currently provide a total of 54 trains each weekday serving 11 Orange County stations. In 2006, the OC Line and IEOC Line began offering service on weekends, year-round. In July 2014, weekend service began on the 91 Line. In June 2016, the 91 Line was extended east to Perris Valley and was renamed the 91/Perris Valley (91/PV) Line.

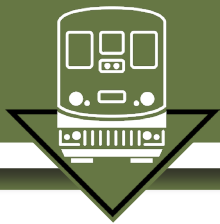
Following completion of the Metrolink Service Expansion Program (MSEP) improvements in 2011, OCTA

Figure 1 - Metrolink Service Levels

Service/Line	# Trips/Day
Weekday Service	
91/PV Line	9
IEOC Line	16
OC Line (Intracounty)	10
OC Line (service to LA)	19
Sub-total	54
Weekend Service	
91/PV Line	4
IEOC Line	4
OC Line (service to LA)	8
Sub-total	16

deployed a total of ten Metrolink intra-county trains operating between Fullerton and Laguna Niguel/Mission Viejo, primarily during mid-day and evening hours. The intracounty trains offer improved frequency within Orange County, and also provide service to Angels baseball home games.

Service levels in Metrolink's fiscal year (FY) 2018-19 budget are consistent with the previous FY. As a result, fare pricing remains stable in alignment with the pre-



Rail Program



Metrolink began serving Orange County in 1994.

vious FY. Metrolink's budget continues the provisions of safe, reliable, and high-quality commuter rail service. **Figure 1** highlights current service levels.

The Rail 2 Rail Program, which began in 2003, allows Metrolink monthly pass holders the option of riding Amtrak Pacific Surfliner trains at no additional charge, provided the pass holder travels within the designated stations identified on the monthly pass. In Orange County, a valid Metrolink ticket or pass also permits free transfers to local OCTA bus routes that directly serve a Metrolink station, including all Stationlink routes, which provide connecting bus service to major employment centers. There are currently six Stationlink routes serving four Orange County Metrolink stations.

Operating Revenue Measure M2

On November 7, 2006, Orange County voters approved the renewal of Measure M, which continues the investment of local tax dollars in Metrolink for 30 years from April 1, 2011 through March 31, 2041. Funding from Measure M2 (M2) for the Metrolink Program is projected to be approximately \$1.24 billion dollars.

The first priority for the use of M2 Project R funds is to ensure adequate funding for Metrolink operations through FY 2040-41. It is anticipated that the bulk of M2 revenue will be required to support operations.

Commuter Rail

As authorized by the OCTA Board, the balance of Measure M (M1) Transit funds were transferred to the newly developed Commuter Rail Fund. The Commuter Rail Fund was created with the intention of replacing the Commuter and Urban Rail Endowment (CURE) Fund, with the specific purpose of supporting rail expenditures going forward. Rail expenditures are currently drawing down the balance of Commuter Rail Fund available reserves.

Fare Revenue

Combined annual ridership for the three lines serving Orange County (including Rail 2 Rail) has increased from 4.4 million in FY 2013-14 to 5.1 million in FY 2017-18. **Figure 2** shows combined revenue and ridership figures. Starting in FY 2016-17, Metrolink began tracking ridership through tickets sales instead of conductor counts. The OC Line continues to carry the most passengers of the three lines serving Orange County. **Figure 3** shows ridership by line.

Passenger fare revenue provides roughly half of Metrolink operating expenses with the remainder covered by member agency subsidies. Total fare revenue for the three lines serving Orange County (including Rail 2 Rail) grew from \$33.6 million in FY 2013-14 to \$35.7 million in FY 2017-18 based upon a combination of growth in ridership and fare increases.

Capital

External funding is anticipated to be the primary source of funding for rail capital expenditures. Federal funds in combination with available M2 and external funding sources will be necessary to fund track and station rehabilitation, replacement of rail cars and locomotives, design and construction of new rail station improvements, as well as projects to improve track and siding. It is anticipated that after completion of currently planned capital expenditures there will be limited funding available for future capital expen-

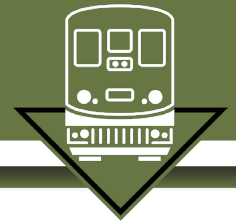
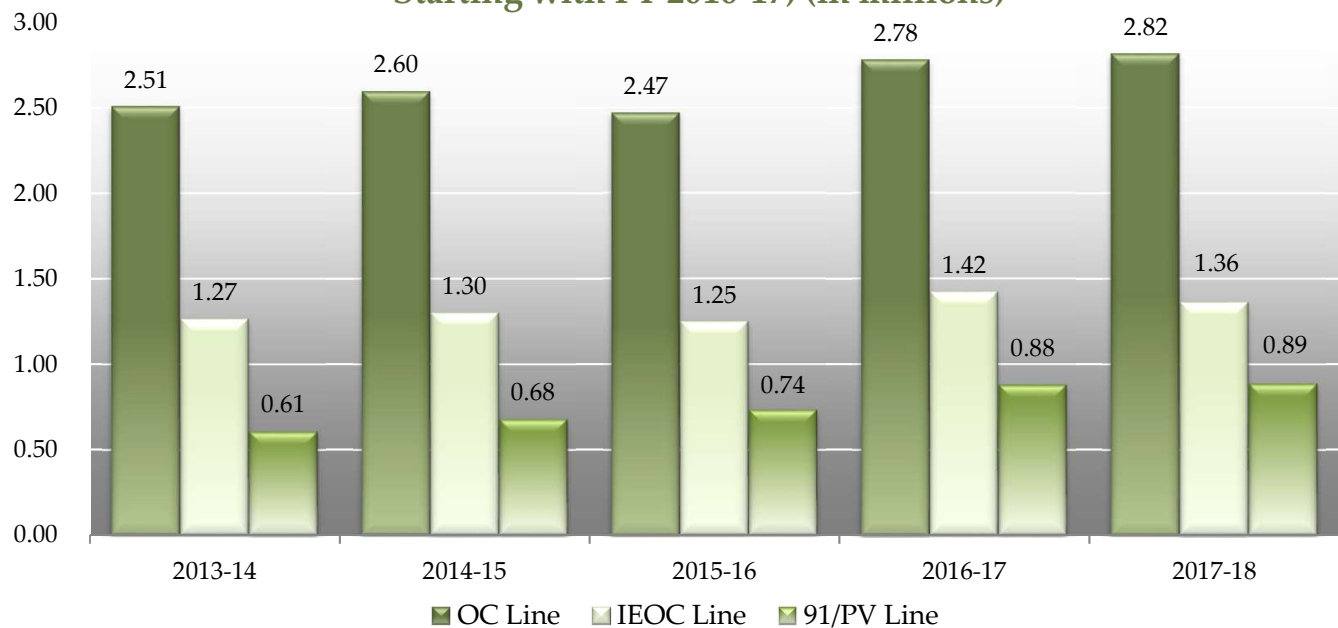
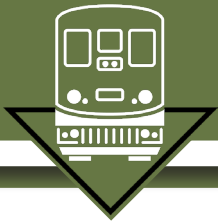


Figure 2 - Combined Annual Ridership and Fare Revenue for Orange County Lines (in millions)



Figure 3 - Annual Ridership by Line (Tracked Through Ticket Sales Starting with FY 2016-17) (in millions)





Rail Program

ditures. As a result, OCTA will likely have to rely on a combination of additional local and external funding sources to fund capital expenditures outside of the planned capital programs.

Transit Extensions to Metrolink

M2 establishes a competitive program to enable local jurisdictions to enhance regional transit capabilities by creation of new connections to Orange County Metrolink stations. Current revenue forecasts suggest that approximately \$1.1 billion of M2 funds will be available over the life of the program to fund improved connections to Orange County Metrolink stations.

Fixed-Guideways

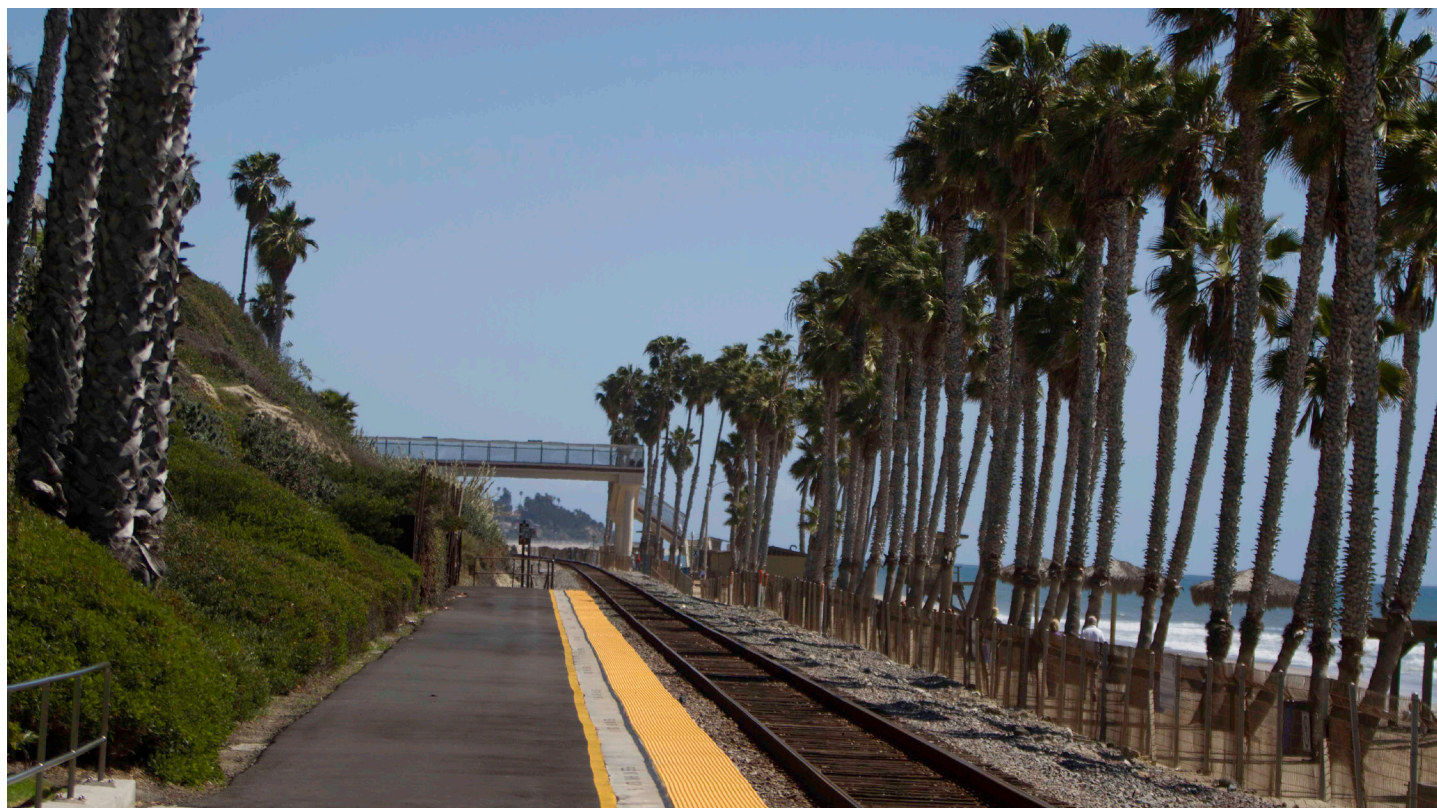
The OC Streetcar is the first modern streetcar project to be built in Orange County and will provide a connection between the Santa Ana Regional Transportation Center (SARTC) and Harbor Boulevard and Westminster Avenue in the City of Garden Grove. Expected to begin carrying passengers in September 2021, the streetcar will operate along a 4.15-mile route that will serve

key destinations including SARTC, downtown Santa Ana, historic neighborhoods, Civic Center, and Harbor Boulevard in the City of Garden Grove. Through Go Local and Transit Extensions to Metrolink, a Measure M2 Program, Santa Ana and Garden Grove initiated the streetcar planning efforts.

In May 2014, the Board directed staff to develop a financial plan to fund capital, operations, and maintenance of the OC Streetcar Project that maximizes the use of state and federal funding sources by leveraging M2 revenues. Additionally, the Board directed staff to develop a project implementation plan for the OC Streetcar Project, with OCTA serving as the lead agency. Financial and implementation plans were approved by the Board in August 2014. In cooperation with the cities in early 2015, OCTA officially became the lead agency for project development, engineering, construction, operations, and maintenance. OCTA entered into a contract for OC Streetcar design services in February 2016. Design proceeded on schedule with 30, 60, and 90 percent submittals in June 2016, December

Santa Ana Metrolink Station.





Beautiful coastline views are standard on Metrolink Rail Service.

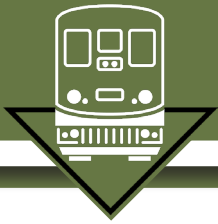
2016, and April 2017 - July 2017, respectively. In January 2017, the FTA approved the OC Streetcar Project into the engineering phase of the New Starts process. In May 2017, OCTA submitted a Full Funding Grant Agreement (FFGA) application to FTA. The FFGA is pending approval by FTA with an anticipated execution date of late 2018. In March 2018, the OCTA Board selected Siemens Industries Inc. as the firm to manufacture and deliver the eight streetcar vehicles needed to support the service. Next steps include award of the construction contract and release of a Request for Proposals (RFP) for operations and maintenance of the OC Streetcar.

Based upon delays in the FFGA execution, extension of the construction project schedule, and market conditions, a revised project funding plan was approved by the Board in July 2018. The funding plan assumes that a Federal New Starts grant will contribute just under \$149 million to the project, contingent on FTA approval. Other federal funds, Congestion Management and Air Quality Improvement Program (CMAQ), and FTA Section 5307 urbanized area formula program,

will provide approximately \$68 million. The State has approved approximately \$25 million in Cap and Trade funds to support the project. Finally, M2 is providing just over \$165 million which is approximately 41 percent of the cost for the project.

Bus and Station Vans

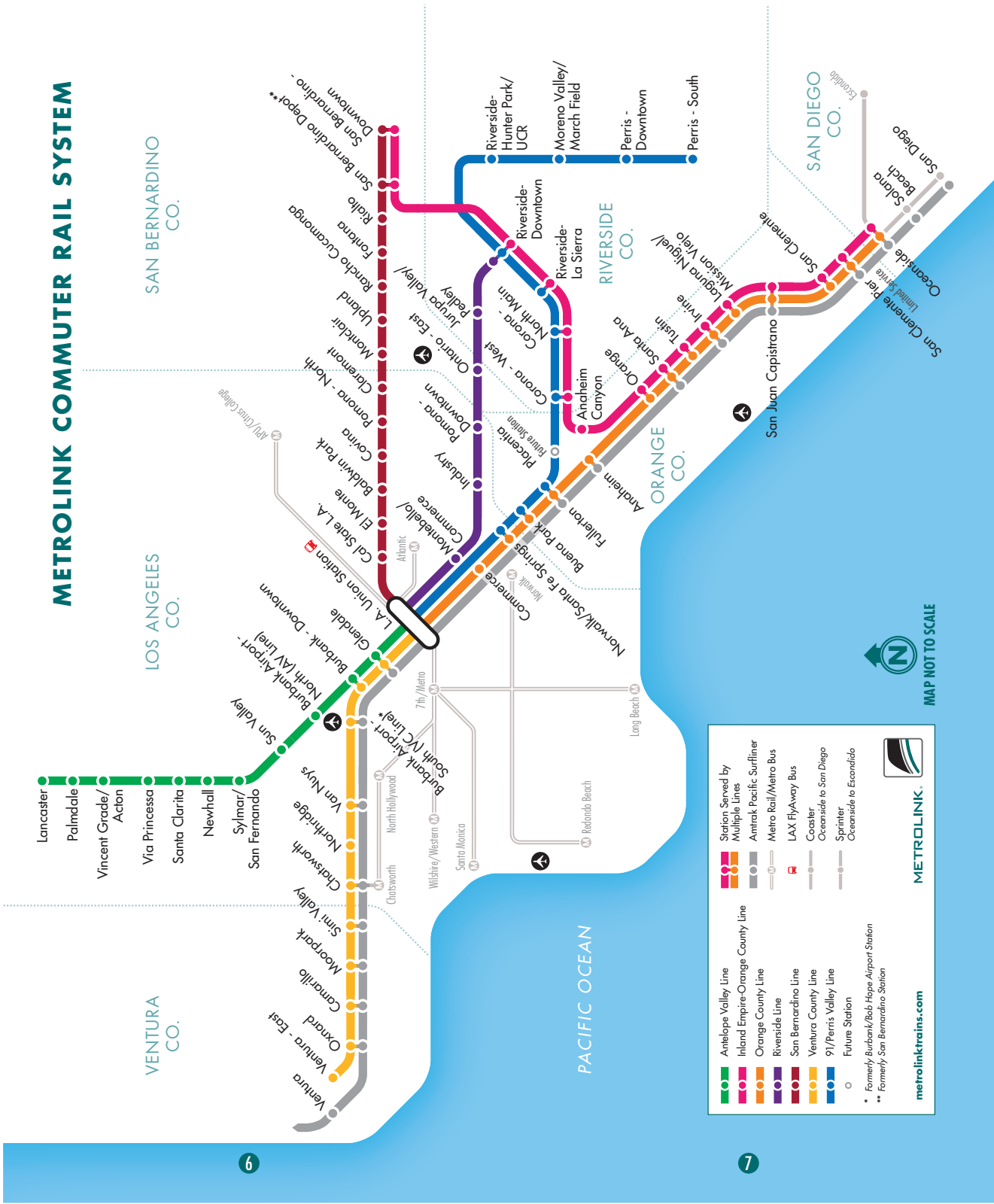
In December 2011, the Board of Directors (Board) approved the Project S bus and station van extension guidelines. In February 2012, OCTA issued a M2 Project S call for bus and Metrolink station van extension projects making \$10 million available. Two local agencies, Anaheim and Lake Forest, submitted proposals which met Project S guidelines and were approved by the Board. A total of \$733,000 was awarded with each local agency required to meet a ten percent local match requirement. Local agency projects funded with Project S are currently underway in Anaheim and Lake Forest.



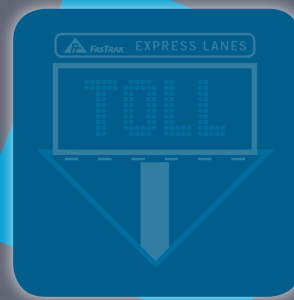
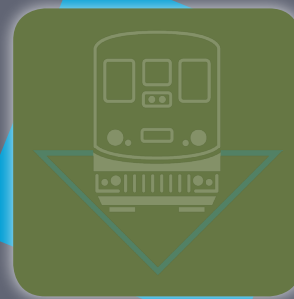
Rail Program

Cash Flow Statement - Rail

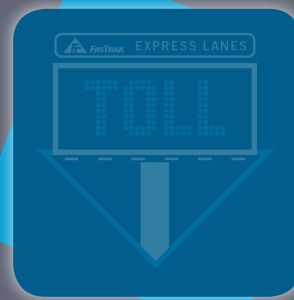
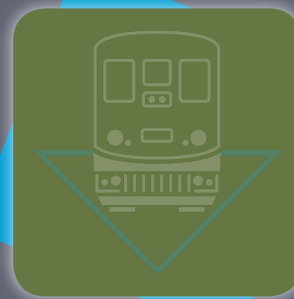
(millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	\$ 200.7	202.6	194.4	190.8	186.9	146.0	98.5	52.5
Cash flows from operating activities:								
Sources of funds:								
Measure M2 Sales Tax (Project R)	31.2	32.0	32.8	33.6	34.3	41.1	49.5	59.7
Federal Operating Revenue	8.4	10.0	10.0	10.0	7.4	7.4	7.4	7.9
Miscellaneous revenue	7.7	4.6	4.6	5.1	3.1	1.2	1.3	1.5
Total sources of funds	\$ 47.3	46.5	47.3	48.6	44.9	49.7	58.3	69.0
Cash flows from operating activities:								
Uses of funds:								
Subsidy to SCRRA	29.4	29.5	30.9	34.2	34.9	38.6	42.6	46.8
Management fee expense	2.6	2.7	2.8	2.9	3.0	3.7	4.2	5.2
Professional services	6.0	6.6	6.4	6.2	6.0	6.6	7.3	8.0
Repayment of Proposition 116 Funds	3.0	3.0	3.1	3.2	3.3	3.9	4.5	5.2
Other operating expenses	2.1	2.2	2.3	2.2	2.2	2.5	2.8	3.2
Total uses of funds	\$ 43.0	43.9	45.5	48.7	49.4	55.3	61.4	68.4
Net cash provided by operations	\$ 4.3	2.6	1.9	(0.1)	(4.5)	(5.6)	(3.1)	0.6
Cash flows from capital and related financing activities:								
Capital grants/other capital revenues	38.6	45.0	34.7	30.6	15.6	3.0	3.3	19.4
Acquisition/construction of capital assets	(42.5)	(57.7)	(42.4)	(37.0)	(22.1)	(10.2)	(11.3)	(28.1)
Principal & interest paid on TECP/bonds	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Net cash used by capital and related financing activities	\$ (5.8)	(14.6)	(9.7)	(8.3)	(8.5)	(9.2)	(9.9)	(10.7)
Cash flows from investing activities:								
Interest on investments	3.4	3.8	4.1	4.5	4.8	5.4	3.5	1.7
Net cash provided by investing activities	\$ 3.4	3.8	4.1	4.5	4.8	5.4	3.5	1.7
Net increase/decrease in cash	\$ 1.9	(8.2)	(3.6)	(3.9)	(8.2)	(9.3)	(9.5)	(8.3)
Available cash	\$ 202.6	194.4	190.8	186.9	178.7	136.7	89.0	44.1



MEASURE M2



MEASURE M2





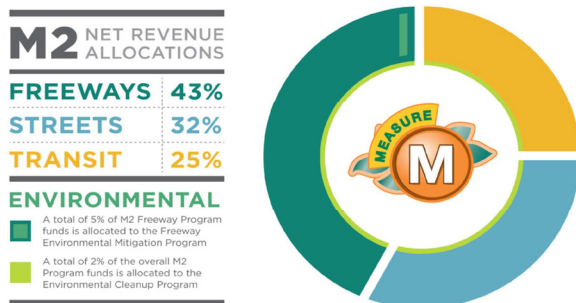
Background

On November 7, 2006, nearly 70 percent of Orange County voters renewed the Measure M (M2) one-half cent sales tax for transportation improvements. The half-cent sales tax, administered by the Orange County Transportation Authority (OCTA), is estimated to provide approximately \$13.1 billion to improve transportation in Orange County over a 30-year period through March 2041. The M2 Transportation Investment Plan is designed to improve freeways, maintain streets and roads, synchronize traffic signals countywide, improve

Early Delivery Plans

Since M2 approval, the OCTA Board of Directors (Board) have continued to advance implementation of M2 through the adoption of a series of early delivery plans. These early delivery plans are designed to ensure the delivery of all M2 projects and programs through fiscal year (FY) 2040-41 as promised to the voters, bring transportation improvements earlier to residents and commuters of Orange County, and as appropriate, address slower growth in sales tax revenue through strategic financing and successfully capturing and augmenting the program with available external and local revenue. Early delivery plans to date include:

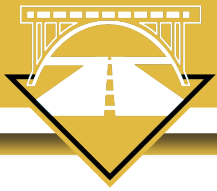
Figure 1 - M2 Net Investment Allocation by Mode



travel connections with new and existing transit programs, protect the environment from debris and runoff that pollute Orange County beaches, and preserve natural habitats and native species through the purchase of open space land. The plan calls for the \$13.1 billion to be allocated as summarized in **Figure 1**.

- Early Action Plan (EAP) – the five-year plan was adopted in 2007 (completed in 2012) designed to jumpstart the M2 Program prior to inception in April 2011. The EAP developed guiding principles that set the direction for staff on establishing priorities for project acceleration;
- M2020 Plan - adopted in 2012 and intended to go through 2020 but cut short in 2016, this was designed to address the impact of lower sales tax revenue projections resulting from the impact of the 2008 Great Recession by bringing in external state and federal revenues; and most recently,
- Next 10 Delivery Plan (ten-year plan from 2016-2026) adopted in 2016 and updated in 2017 designed to address a further reduction in the sales tax revenue forecast by bringing in additional local revenues through the allocation of net excess 91 Express Lanes revenue.

NEXT 10 DELIVERY PLAN



Measure M2 Program

Updated Next 10 Delivery Plan

The Next 10 Plan was approved by the Board in November 2016 and the plan was reviewed and updated in November 2017. The Updated Next 10 Plan incorporates current cash flows, schedule, and project information. The Updated Next 10 Plan provides a blueprint for continued advancement of M2 projects and programs for a ten year period from FY 2016-17 through FY 2025-26. With the adoption of the Next 10 Plan, the Board directed staff to bring in local revenues through the allocation of net excess 91 Express Lanes revenue, in an amount not to exceed the project costs for eligible projects. The two eligible projects are on State Route 91(SR-91): Project I, between State Route 55 (SR-55) and State Route 57 (SR-57), and Project J, between SR-55 and the Riverside County line. At the time of the Next 10 Plan adoption, only a portion of the cost of the two projects was approved by the Board in October 2017. While a reduction in revenues affects the M2 Program as a whole, in most areas within the M2 Plan, programs can be scaled based on available revenue. Using the new revenue forecast, as well as information available to date on project costs and schedules, staff incorporated the information into the M2 cash flow for each of the M2 Program elements.

In July 2018, the cash flow for the Updated Next 10 Delivery Plan was reviewed as part of this Comprehensive Business Plan (CBP) and the revised \$13.1 billion sales tax revenue forecast was incorporated along with updated external state and federal programmed funds. The revenue assumptions also include a confirmed \$153.9 million contribution from the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program, the Board authorized allocation of a portion of net excess 91 Express Lanes revenue of \$748.7 million, and makes specific assumptions about near-term grants such as New Starts and Cap-and-Trade. The review confirmed that with updated revenue assumptions incorporated into the Updated Next 10 Plan, the adopted Next 10 deliverables, as well as the entire M2 Plan remains deliverable.

Freeway Program

The M2 Transportation Investment Plan allocates 43 percent of M2 net revenue to freeway improvements,

which represents the greatest investment in the M2 Program at approximately \$5.3 billion over the life of M2. When originally passed, 13 freeway projects were highlighted in the M2 Transportation Investment Plan. Since then, these projects have been segmented into 28 projects. Because of early delivery plans, significant progress has already been made including the completion of 12 project segments with new lanes, new interchanges, and new bridges on SR-91, Interstate 5 (I-5), SR-57, and State Route 22 (SR-22). Two more are currently in construction (I-5 in central Orange County and I-405, discussed below), one on I-5 in south Orange County starting early next year and several more in final design slated to begin within a couple of years. Major traffic chokepoints on almost every Orange County freeway are planned to be improved and are currently moving forward through the project development process. The anticipated schedule for M2 freeway projects is shown in **Figure 2**.

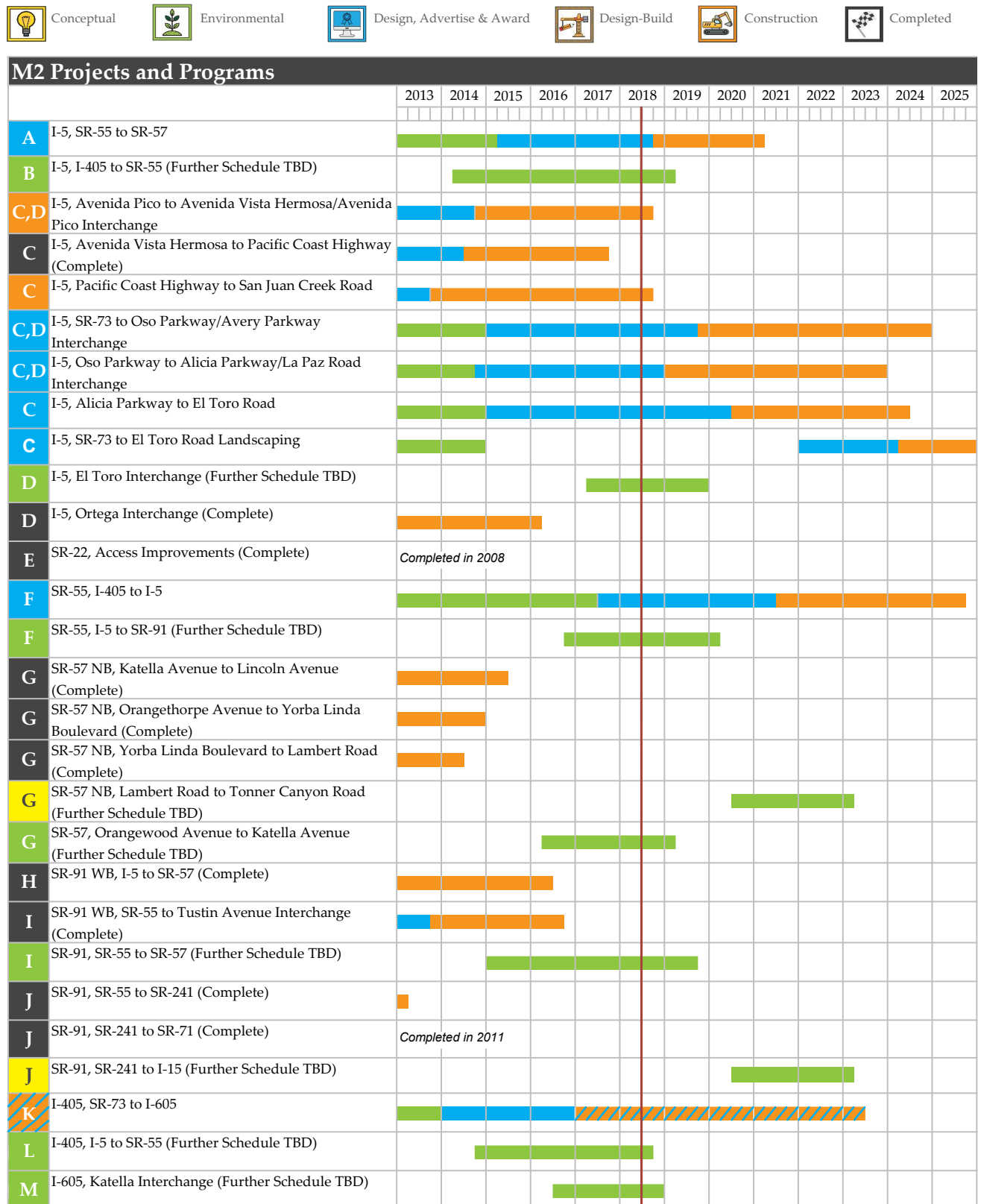
One of the centerpieces of the Updated Next 10 Delivery Plan is the improvement to the I-405 Freeway. Project improvements include adding a general purpose lane in each direction of the I-405 Freeway, from Euclid Avenue to the I-605 Interchange (Project K) and adding an additional lane in each direction that would combine with the existing HOV lane to provide dual tolled express lanes in each direction on the I-405, from SR-73 to I-605. On April 27, 2015, the OCTA Board voted to take the lead on implementing both the general purpose lanes promised in M2 and the express lanes, which will be financed separately and paid for from toll revenues.

To adhere to the promises of M2, the Updated Next 10 Delivery Plan includes several delivery goals for the freeway program from FY 2016-17 (when adopted) through FY 2025-26 in **Figure 3**.

M2 allocates at least five percent of freeway program net revenues for an Environmental Mitigation Program (EMP) designed to address biological impacts from the M2 freeway projects. This is achieved through a comprehensive mitigation effort that ensures early and higher-value environmental benefits such as habitat protection, connectivity, and resource preserva-



Figure 2 - Freeway Program Project Schedule





Measure M2 Program

Figure 3 -Freeways

Next 10 Plan Updated Initiatives

- 1 Deliver construction of eight freeway project segments; six along Interstate 5 (I-5), one along Interstate 405 (I-405), and one along State Route 55 (SR-55) (Projects A, C/D, F, and K).
- 2 Complete the environmental phase for the remaining nine project segments to be "shelf ready." This includes one on each of I-5, I-405, SR-55, and two along State Route 57 and State Route 91, and two interchange projects, one at El Toro Road/I-5 and one at Katella Avenue/Interstate 605 (Projects B, D, F, G, I, J, L, and M).
- 3 Invest approximately \$1.2 billion in revenues to move "shelf-ready" projects forward using the guiding principles.

tion. In 2017, OCTA received streamlined biological resource permits in exchange for the development of the Natural Community Conservation Plan/Habitat Conservation Plan and Environmental Impact Report/Environmental Impact Statement. Receipt of these permits represent the culmination of years of collaboration and support by the Board, environmental community, and regulatory agencies. As a result, the environmental process will be streamlined, allowing OCTA to move forward with the M2 freeway improvement projects with mitigation requirements already in place. The program is guided by an Environmental Oversight Committee (EOC) which is charged with making program recommendations to the Board. This program was slated for early delivery by the Board and following voter approval of M2, in summer 2007, the Board authorized a total of approximately \$55 million: \$42 million for property acquisitions, \$10.5 million for habitat restoration activities, and \$2.5 million for conservation plan development and program support. To date, OCTA has acquired seven properties in Brea, Laguna Beach, Silverado Canyon, and Trabuco Canyon (Preserves) totaling approximately 1,300 acres, and funded 12 habitat restoration projects to restore approximately 350 acres of open space lands throughout Orange County. The restoration project plans have

been approved by the wildlife agencies and are currently at various stages of implementation.

OCTA currently holds the title and interim land management responsibility of the preserves. Over time, the long-term management of the preserves will be transitioned to an entity whose core function is to manage conservation lands. As part of the Conservation Plan process, in 2014, the Board approved a non-wasting endowment target of \$34.5 million for long-term management of the conservation properties. In September 2016, the Board approved the selection of California Community Foundation to serve as endowment fund manager for the M2 EMP. To date, three payments totaling \$8.7 million have been deposited into the endowment. It is estimated that it may take 10-12 years to fully fund the endowment. The Updated Next 10 Delivery Plan includes several deliverable goals for the EMP through FY 2025-26 in **Figure 4**.

Streets and Roads Projects

Orange County has more than 6,500 lane miles of aging streets and roads, many in need of repair and rehabilitation. M2 will allocate 32 percent of net revenues, estimated at \$4 billion, to streets and roads. Approximately \$1.2 billion is planned to be allocated to the Regional Capacity Program (RCP), \$496 million is planned to be allocated to the Regional Traffic Signal Synchronization Program (RTSSP) and \$2.2 billion is planned to be allocated to the Local Fair Share Program as shown in **Figure 5**. These funds will help fix potholes, improve intersections, synchronize traffic signals county-wide, and make the existing network of streets and roads safer and more efficient. To date, OCTA has awarded local agencies approximately \$375 million in RCP and RTSSP funds and has paid out over \$175 million of the awarded funding for local streets and roads improvements.

The RCP (Project O), in combination with local matching funds, provides a funding source to complete the Orange County Master Plan of Arterial Highways. The program also provides for intersection improvements and other projects to improve street operations and reduce congestion. The program allocates funds through a competitive process and targets projects



Figure 4 - Environmental Mitigation

Next 10 Plan Updated Initiatives

1. Oversee and manage the Preserves while the endowment is being established and determine long term land manager(s) and endowment holder(s).
2. Focus Environmental Mitigation Program resources funding as a first priority toward the establishment of the endowment for the Preserves.
3. Finalize the resource management plans on M2 Preserves including provisions for public access as appropriate (Projects A-M).
4. Complete approximately 350 acres of restoration projects funded through M2 to fulfill the Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) commitments.

Project U provides expanded mobility choices for Seniors and Disabled.



Figure 5 - Allocation of M2 Streets & Roads Funds

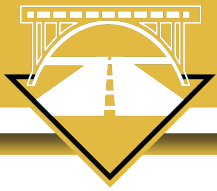
Program	\$ millions	%
Regional Capacity Program	1,237	31%
Signal Synchronization Program	495	12%
Local Fair Share Program	2,227	56%
Total	3,959	100%

that help traffic the most by considering factors such as degree of congestion relief, cost effectiveness, and project readiness.

In June 2018, the Board approved a revised funding plan of \$664 million for the seven Project O railroad grade separation projects in Anaheim, Fullerton, and Placentia. Along with M2 funds, the program successfully leveraged most of the funds (\$520 million) from state, federal, and local sources. Construction on all seven of these projects is complete with closeout activities for the final project underway. The schedule for the M2 grade separation projects is shown in **Figure 6**.

The RTSSP (Project P) targets over 2,000 signalized intersections across Orange County for coordinated operation. The goal is to improve the flow of traffic by developing and implementing regional signal coordination programs that cross jurisdictional boundaries. In June 2018, the Board approved programming recommendations for an eighth call for projects in the amount of \$8.9 million, totaling approximately \$81 million in aggregate for RTSSP projects. As of June 2017, OCTA and local agencies have met and exceeded the target of 2,000 synchronized intersections along 540 miles of streets. From 2017-2026, the entire network of signals is anticipated to have been retimed or optimized at least twice. This equates to more than 4,000 intersections retimed over the preceding ten-year period.

Once a local agency has met the guidelines, the funds are distributed on a formula basis which accounts for population, street mileage, and amount of sales tax collected in each jurisdiction. Since inception, approximately \$350 million of Local Fair Share funds has been distributed to local agencies. Approximately \$56 million will be distributed in FY 2018-19, and this amount is expected to grow annually. The Updated Next 10 Delivery Plan for streets and roads recommends three major initiatives through FY 2025-26 in **Figure 7**.



Measure M2 Program

The Local Fair Share Program (Project Q) receives 18 percent of net revenues and assists cities and the County of Orange in keeping up with the rising cost of repairing the aging street system. Local agencies can use these funds for local transportation needs, including residential street projects, traffic and pedestrian safety near schools, and signal priority for emergency vehicles. Since the program is designed to augment, rather than replace existing transportation expenditures, cities are required to meet a set of guidelines on an annual basis to receive the funds.

Transit Projects

Of the net revenues raised by M2, 25 percent, estimated at \$3.1 billion, is allocated to expand and improve Orange County's rail and bus service. Approximately \$2.4 billion of the transit funds are planned to be allocated to High Frequency Metrolink Service, Transit Extensions to Metrolink, and Metrolink Gateways. Additionally, over \$700 million is planned to be used to expand choices for seniors & persons with disabilities, Community Based Transit/Circulators, and Safe Transit Stops as shown in **Figure 8**.

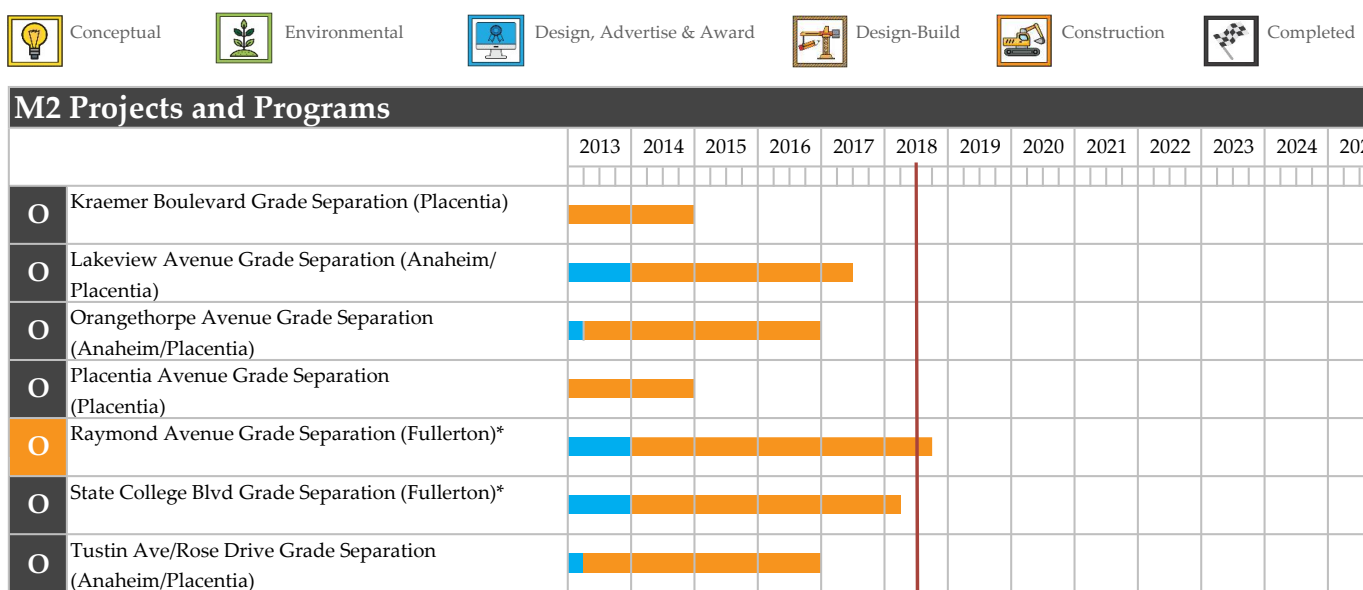
Figure 7 - Streets & Roads

Next 10 Plan Updated Initiatives

- 1 Provide \$400 million in competitive funding to local jurisdictions to expand roadway capacity and synchronize signals (Project O and P).
- 2 Complete the remaining OC Bridges grade separation projects by late 2018/early 2019.
- 3 Provide \$600 million in flexible funding to local jurisdictions to help maintain aging streets or for use on other transportation needs as appropriate (Project Q).

The High Frequency Metrolink Service Program (Project R) provides funding for increased rail service within OC, including additional service implemented in FY 2014-15. This program provides for track improvements, upgraded stations, additional parking, safety improvements, and other related items to accommodate expanded service. M2 funds are planned to be the primary source of operating funds for rail service

Figure 6 - OC Bridges Project Schedule



* Projects managed by local agencies



Figure 8 - Allocation of M2 Transit Funds

Program	\$ millions	%
High Frequency Metrolink Service	1,236	40%
Transit Extensions to Metrolink	1,095	35%
Metrolink Gateways	63	2%
Fare Stabilization	182	6%
Senior Mobility Program	124	4%
Senior Non-Emergency Medical Transportation	124	4%
Community Based Transit/Circulators	248	8%
Safe Transit Stops	27	1%
Total	3,099	100%

throughout the life of M2. Please see the Rail section for more details on this program. The anticipated schedule for M2 Transit projects is shown in **Figure 9**.

The Transit Extensions to Metrolink Program (Project S) establishes a competitive program for local jurisdictions to broaden the reach of the rail system to communities and major activity centers that are not immediately adjacent to the Metrolink corridor. These connections may include a variety of transit technologies such as conventional bus, bus rapid transit, streetcar, or other high capacity rail transit systems if they can be fully integrated and provide seamless transition for the users. Please see the Rail section for more details on the transit extensions to Metrolink Program.

The Metrolink Gateways Program (Project T) provides funds for local improvements necessary to connect planned future high-speed rail systems to stations on the Orange County Metrolink route. Through a call for projects in FY 2008-09, the City of Anaheim was awarded funding to convert/relocate the Anaheim Metrolink/Amtrak station to a new location that would allow for a multimodal facility to be built that accommodates the State's planned high-speed rail system. The Anaheim Regional Transportation Intermodal Center (ARTIC) opened on December 6, 2014. The construction of ARTIC satisfied the objective of Project T, and the Board authorized the remaining balance to be programmed to Projects R and U.

The Expand Mobility Choices for Seniors and Persons with Disabilities Program (Project U) provides funds to support mobility choices for seniors and persons with disabilities. This funding supports the senior and disabled Fare Stabilization Program, the Senior Mobil-

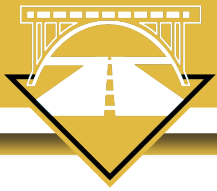
ity Program (SMP), and the County of Orange Senior Non-Emergency Medical Transportation Program (SNEMT). Combined to make up Project U, these programs provide services to meet the growing transportation needs of seniors and persons with disabilities.

The Fare Stabilization Program ensures that fares are discounted for seniors and persons with disabilities. With the revised allocation of net revenues for the Fare Stabilization Program due to the closeout of Project T, the Fare Stabilization Program is expected to receive \$182 million over the life of M2.

The SMP was established in 2001 and for the first ten years was supported with TDA funds. Currently, 31 cities participate in the program offering a variety of local senior transportation resources for medical, nutrition, shopping, and social trips. Cities are required to contribute a 20 percent match for the cost of SMP service. It is anticipated that \$124 million of M2 funding will be available for this program over the life of M2.

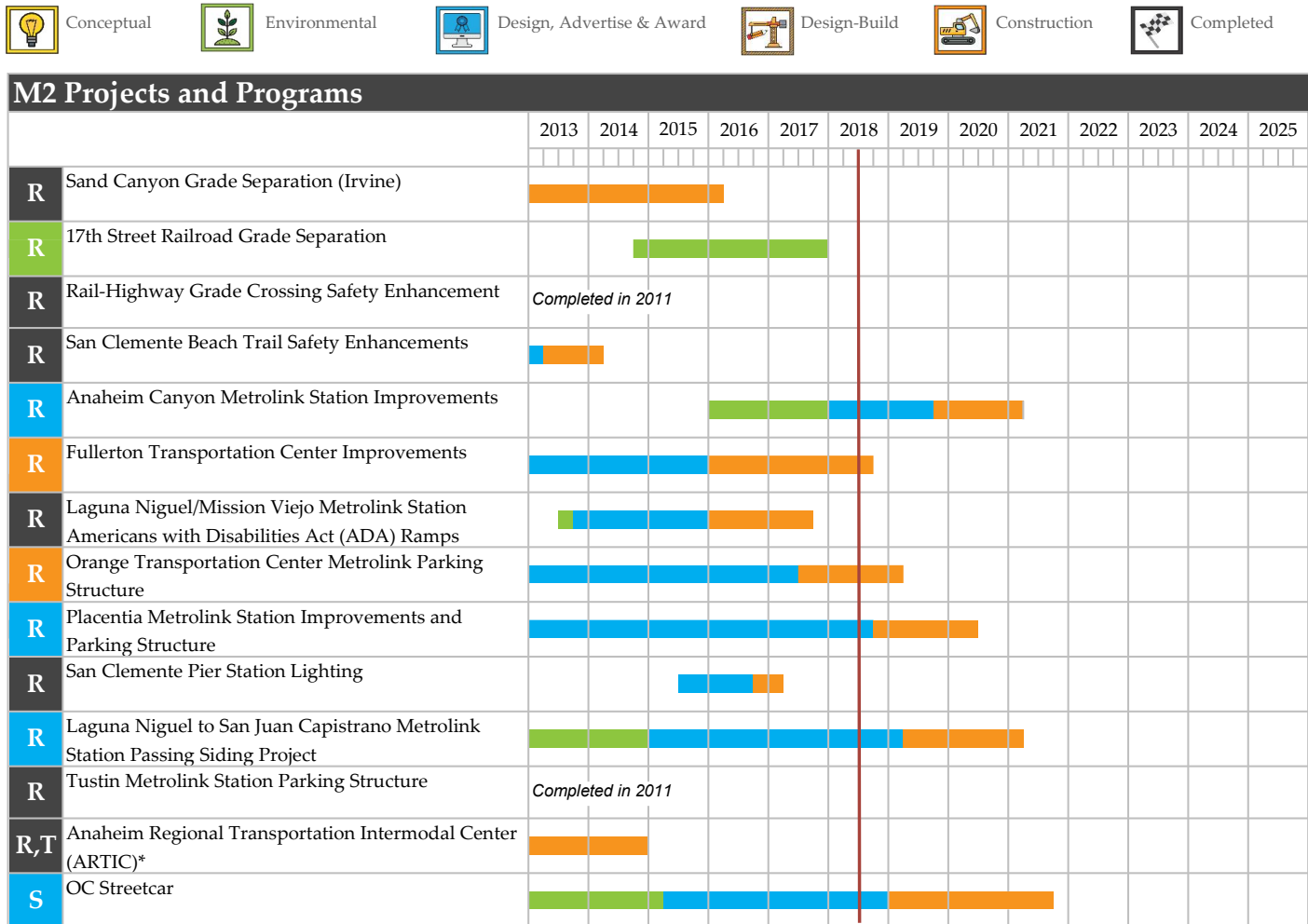
The SNEMT Program was established by the County of Orange in 2002. The SNEMT fills a gap in senior transportation services for those seniors who do not qualify for ACCESS or whose advanced age or profound condition make it difficult to use ACCESS service. M2 funding for this program supplements existing County funding to expand the capacity of the program and increase the number of available SNEMT trips. It is anticipated that \$124 million of M2 funding will be available for this program over the life of M2.

The Community Based Transit/Circulators Program (Project V) is a competitive program for local jurisdictions to develop bus transit services such as community-based circulators, shuttles, and bus trolleys that complement regional bus and rail services, as well as meet needs in areas not adequately served by regional transit. Projects are required to meet performance criteria, be financially viable, be competitively bid, and cannot duplicate or compete with existing transit services (except for regional transit services). To date, the Board has approved three rounds of funding, totaling over \$43.6 million for 23 projects and seven planning grants, located in cities throughout the county.



Measure M2 Program

Figure 9 - Transit Program Project Schedule



* Projects managed by local agencies

The Safe Transit Stops Program (Project W) provides for passenger amenities at 100 of the busiest transit stops across the county. The stops will be designed to ease transfers between bus lines and provide passenger amenities such as improved shelters and lighting. The Board approved the framework for the Safe Transit Stops Program in March 2014. OCTA staff worked with local agencies to develop a needs assessment and applications to request funding for Safe Transit Stops. The needs assessment considered factors such as ridership demand, current age and condition of the bus stops, and other factors identified by the local agencies. Seven out of 15 eligible cities applied and requested funding for 51 projects totaling \$1.2 million. The Board approved all projects for funding in July 2014. Agreements with local agencies to allow the use of funds have

been completed. Upgrades to 43 of the busiest stops in the cities of Brea, Costa Mesa, Irvine, Orange, Santa Ana, and Westminster have been completed to date. The City of Anaheim withdrew their funding request due to timing issues and plan to resubmit during the next funding cycle which is anticipated in 2019. The Board also approved \$370,000 toward a mobile ticketing application which was successfully deployed, along with mobile ticket readers on all OCTA buses, in February 2017. The mobile ticketing system makes it more convenient for bus customers to purchase bus passes, obtain trip information, and board buses. The Updated Next 10 Delivery Plan for transit recommends nine major initiatives through FY 2025-26 as shown in **Figure 10**.



Figure 10 - Transit

Next 10 Plan Updated Initiatives

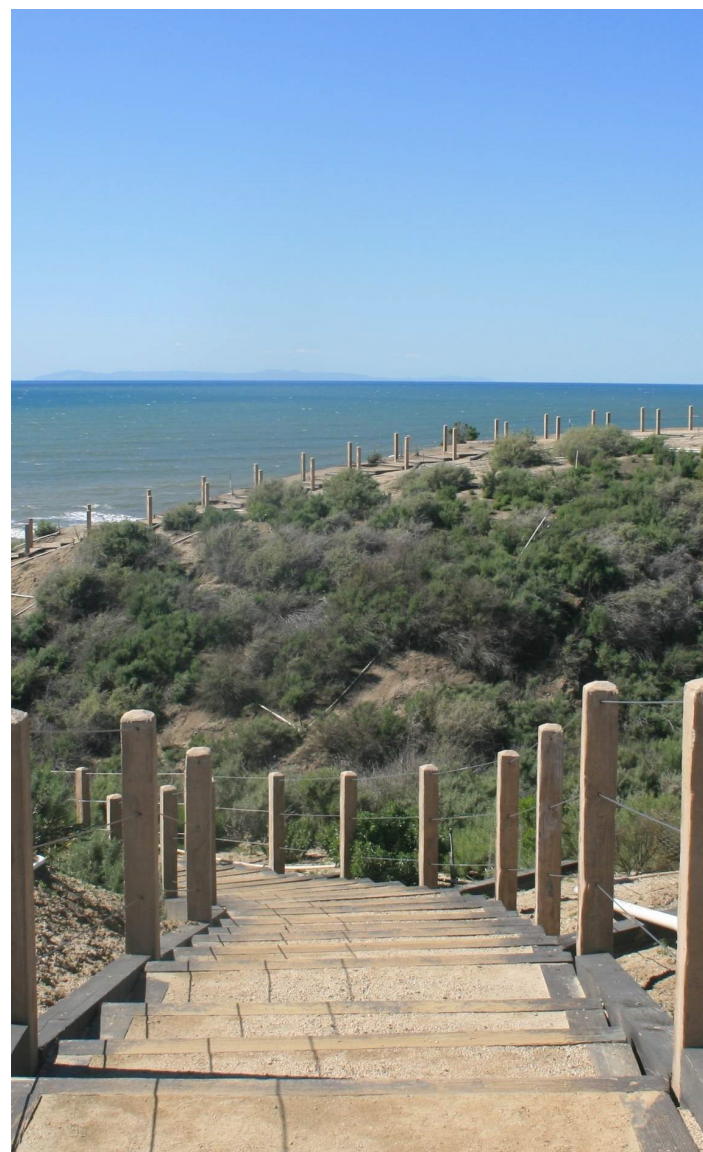
- 1 Complete six rail station improvements (Project R).
- 2 Maintain existing Metrolink service levels.
- 3 Expand Metrolink service from Orange County into Los Angeles County, contingent upon cooperation and funding participation from route partners.
- 4 Complete design, construction, and begin operating, the OC Streetcar.
- 5 Incorporate recommendations from planning studies to guide development of future transit connections.
- 6 Provide \$49 million to stabilize OCTA's bus fares for seniors and persons with disabilities, provide \$33 million for senior community transportation programs and \$33 million for senior non-emergency medical transportation services.
- 7 Support and provide grant opportunities for local agencies to implement effective local transit services.
- 8 Allocate \$7 million in funding to improve the top 100 busiest bus stops in Orange County.
- 9 Support the modernization of the OC Bus system to enhance the customer experience.

Environmental Cleanup Projects

The M2 Program allocates two percent of gross sales tax revenue, which represents approximately \$259 million, to an Environmental Cleanup Program (ECP) that is designed to supplement, not supplant, existing transportation-related water quality programs. Development of ECP Program guidelines have been approved by the Board. The M2 ECP Committee (Allocation Committee) makes recommendations to the Board on the allocation of funds for water quality improvements.

In May 2010, the Board approved a two-tiered approach to fund the ECP. The funding plan called for up to \$19.5 million in Tier 1 grants on a "pay-as-you-go" basis through FY 2017-18, and up to \$38 million in Tier 2 grants via bonding through FY 2014-15.

The Tier 1 Grant Program is designed to mitigate the more visible forms of pollutants, such as litter and



Scenic pathway leading down to beach.

debris, which collect on the roadways and in the catch basins prior to being deposited in waterways and the ocean. It consists of grant funding for OC local governments to purchase equipment and upgrades for existing catch basins and other related best management practices. Examples include screens, filters, and inserts for catch basins, as well as other devices designed to remove the above-mentioned pollutants. Since August 2011, the Board has approved funding of \$20.1 million for 154 Tier 1 projects.

The Tier 2 Grant Program consists of funding for regional, potentially multi-jurisdictional, capital-intensive projects. Examples may include, but are not



Measure M2 Program

limited to, constructed wetlands, detention/infiltration basins, and bioswales. These types of water quality projects mitigate pollutants such as heavy metals, organic chemicals, sediment, nutrients, and pathogenic material related to roadway runoff. Since 2012, Tier 2 projects have been awarded totaling approximately \$28 million.

Approximately \$10 million remains from the \$38 million for a third call for projects. The Updated Next 10 Delivery Plan for the Environmental Cleanup Plan recommends two major initiatives through FY 2025-26 as shown in **Figure 11**.

Taxpayer Safeguards and Audits

Through FY 2040-41, one percent of M2 gross revenue, approximately \$131 million, is allocated for salaries and benefits related to program oversight. Additionally, \$307 million is set aside for audits, safeguards, taxpayer protection, and non-project related expenditures. Lastly, as mandated by state law, approximately 1.2 percent, or \$150 million, of the gross sales tax revenue generated by M2 must be paid to the California Department of Tax and Fee Administration for collecting the countywide one-half percent sales tax revenue that funds the M2 Program.

Figure 11 - Environmental Cleanup

Next 10 Plan Updated Initiatives

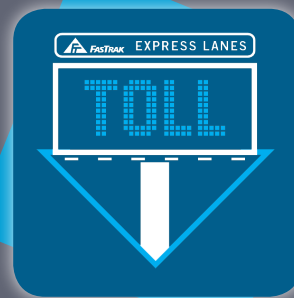
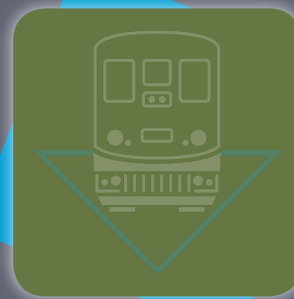
- 1 Protect Orange County beaches by removing 25 tons of trash from entering waterways and inlets that ultimately lead to the ocean.
- 2 Work with the Environmental Cleanup Allocation Committee to develop the next tiers of water quality funding programs with a goal of providing up to \$40 million of grants to prevent the flow of trash, pollutants and debris into waterways from transportation facilities. Also, focus on improving water quality on a regional scale and encourage partnerships among the local agencies as part of the Environmental Cleanup Program (Project X).



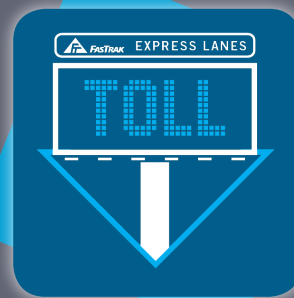
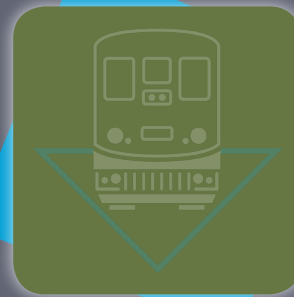
Cash Flow Statement - Measure M2

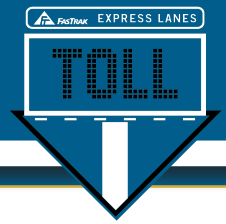
(millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	\$ 725.0	855.9	515.3	483.3	194.8	678.7	870.0	883.6
Sources of funds:								
Sales tax revenue	330.0	338.2	346.7	355.0	363.2	434.7	523.7	631.0
Bond proceeds	348.8	-	398.6	-	199.3	-	-	-
Interest	8.2	5.4	11.8	8.4	4.8	5.7	6.9	8.3
Other revenues (private, local, state, & fed. funding)	210.8	242.8	210.4	236.7	148.2	107.2	15.1	-
Total sources of funds	\$ 897.8	586.5	967.5	600.1	715.5	547.5	545.7	639.3
Debt service								
Gross debt service on TECP/bonds	48.9	47.9	77.3	75.5	90.7	129.2	162.9	178.3
Cash reserve for TIFIA loan	50.0	-	100.0	-	(150.0)	-	-	-
Total debt service payments	98.9	47.9	177.3	75.5	(59.3)	129.2	162.9	178.3
Program expenditures								
Freeway projects	328.7	503.4	520.8	552.6	406.1	202.2	215.5	127.4
Streets & roads projects	167.4	142.8	140.3	141.7	134.4	114.2	129.4	203.7
Transit projects	151.6	212.2	139.8	96.8	56.2	86.9	114.6	166.1
Environmental cleanup	6.6	6.8	6.9	7.1	7.3	8.7	10.5	12.6
Taxpayer safeguards & audits	7.1	7.3	7.5	7.7	7.8	9.4	11.3	13.6
Non-project related expenditures	6.6	6.8	6.9	7.1	7.3	8.7	10.5	12.6
Total program expenditures	668.1	879.2	822.2	813.0	619.1	430.1	491.7	536.0
Net cash provided by operations	\$ 130.8	(340.6)	(32.0)	(288.4)	155.7	(11.8)	(108.9)	(75.0)
Available cash	\$ 855.9	515.3	483.3	194.8	350.5	666.9	761.1	808.6

EXPRESS LANES



EXPRESS LANES





Background

The Orange County segment of the 91 Express Lanes is a four-lane, 10-mile toll road extending from the Orange/Riverside County line west to the State Route 55 (SR-55). This 91 Express Lanes project was authorized as a toll road by the State of California legislature in 1989. Built at a cost of \$135 million, the toll road opened on December 27, 1995.

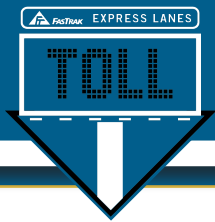
The California Private Transportation Company (CPTC) was the original owner of the 91 Express Lanes. An agreement with the State of California Department of Transportation (Caltrans) included a non-compete provision that created a 1.5-mile protection zone along each side of the State Route 91 (SR-91). This zone prohibited improvements along the corridor for 30 years in order to satisfy bondholder requirements for a secure revenue stream. This created mobility problems as the region and corresponding transportation demands grew. Evidence of that growth was supported by the fact that total traffic volume on the 91 Express Lanes grew from 7.59 million in fiscal year (FY) 1996-97 to 16.7 million in FY 2017-18. **Figure 1** on the following

page shows historical traffic volumes for the Express Lanes.

To mitigate growing concerns over congestion, the Orange County Transportation Authority (OCTA) acquired the 91 Express Lanes franchise rights from CPTC in January 2003. The purchase was enabled by Assembly Bill (AB) 1010 (Correa), which eliminated the non-compete provision, clearing the way for future enhancements that will increase capacity and improve traffic flow. The franchise rights would have been terminated on December 26, 2030.

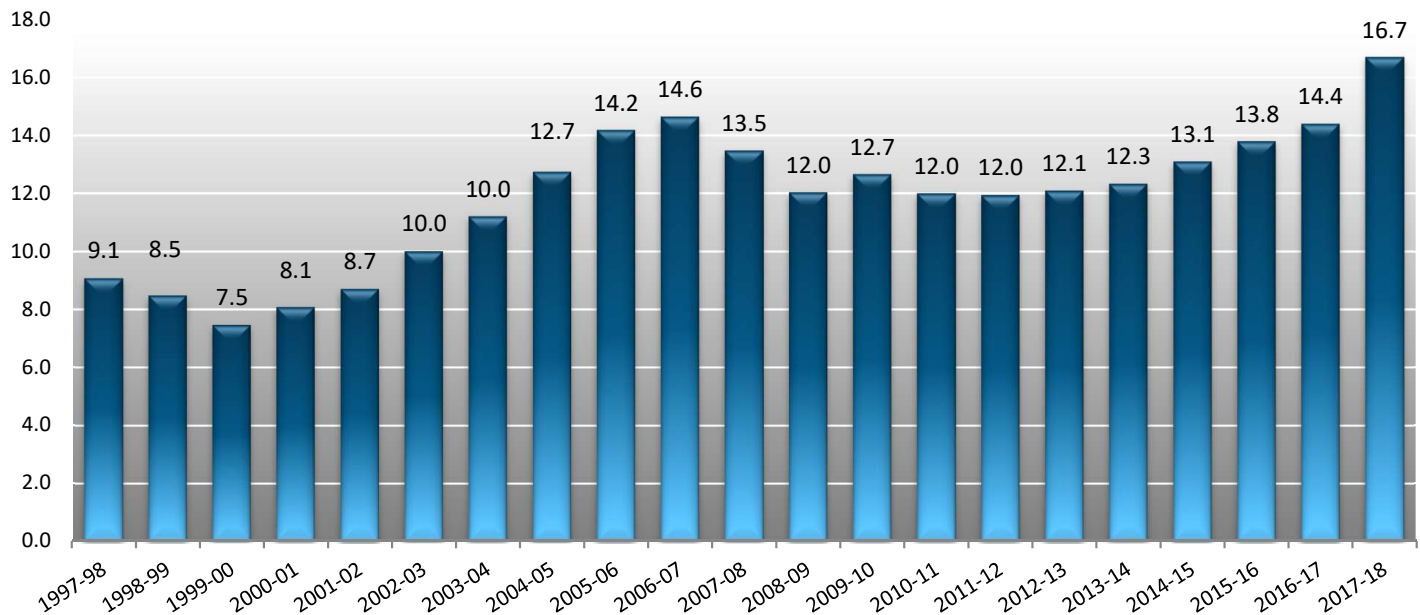
On September 30, 2008, the governor approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests, and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange/Riverside County line to Interstate 15 (I-15). RCTC's project, which opened for traffic in March 2017, extended the 91 Express





Express Lanes

Figure 1 - Historical Traffic Volumes
(in millions)



Lanes by an additional eight miles. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

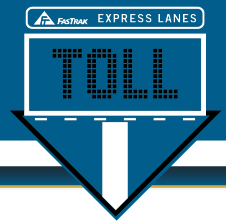
In December 2011, the Board approved a cooperative agreement that detailed the joint operation and defined each agency's roles and responsibilities for the 91 Express Lanes extension during the design, construction, operations, and maintenance phases of the project. A joint operation of the 91 Express Lanes would create economies of scale and cost benefits through joint contracting, and joint provision of certain services related to the maintenance and operation of the 91 Express Lanes for both OCTA and RCTC. The major provisions of the cooperative agreement with RCTC included the equal distribution of certain non-toll revenues in addition to the equal share of operator costs and other services related to the operation of the 91 Express Lanes.

Toll Policies

In May 2003, the Board underscored its commitment

to mobility by endorsing a policy allowing 91 Express Lanes users driving zero emission vehicles, motorcycles, vehicles with disabled plates, disabled veterans plates, and users with three or more persons per vehicle to ride free. One exception to this free ride policy is for the hours between 4 p.m. to 6 p.m., Monday through Friday, in the eastbound direction, where they pay 50 percent of the posted toll rate. In an effort to keep the 91 Express Lanes uniform between both Orange and Riverside counties, in August 2012, RCTC adopted the same discounted tolling policy.

The Board also approved a "congestion management" toll pricing policy in July 2003. The objective of the policy is to use pricing to optimize the number of vehicles that can safely travel on the toll road at free-flow speeds during all hours, including peak hours. The toll policy uses trigger points defined as a percentage of maximum and minimum optimal capacity, along with constant monitoring of hourly, daily, and directional traffic volumes, to adjust tolls up or down. The toll rates are increased when volumes have grown to the point where the traffic flow could become unpredictable and are decreased in order to stimulate demand and encourage use of the 91 Express Lanes.



Transponders and Accounts

Since the 91 Express Lanes is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of June 2018 there were 140,692 active customer accounts, with 217,876 transponders assigned to those accounts. Commencing January 1, 2019, all California tolling agencies will be required to read a new transponder protocol, 6C. California also requires the phase out of the existing Title 21 protocol by January 1, 2024.

The 6C protocol is an open, non-proprietary communication standard developed by the International Organization of Standards for passive radio frequency identification transponders and readers. Since it does not require a battery to operate, 6C transponders are available in a variety of forms, such as hard-case for 2-position, and 3-position switchables and sticker types. This new protocol will lower the cost of transponders for the 91 Express Lanes. In addition to phasing in readers for the 6C transponder protocol, OCTA will also start issuing 6C transponders in January of 2019.

Toll Road Revenue

Operations

Revenues for the 91 Express Lanes can be divided into

two categories: toll revenues and non-toll revenues. Toll revenues comprise the majority of the revenue generated by the 91 Express Lanes. Toll revenues include the tolls collected from 91 Express Lanes patrons using the toll facility, in addition to tolls collected from customers of other toll agencies that use the 91 Express Lanes. The average long-term rate of growth for toll road revenues is projected to be 3.4 percent.

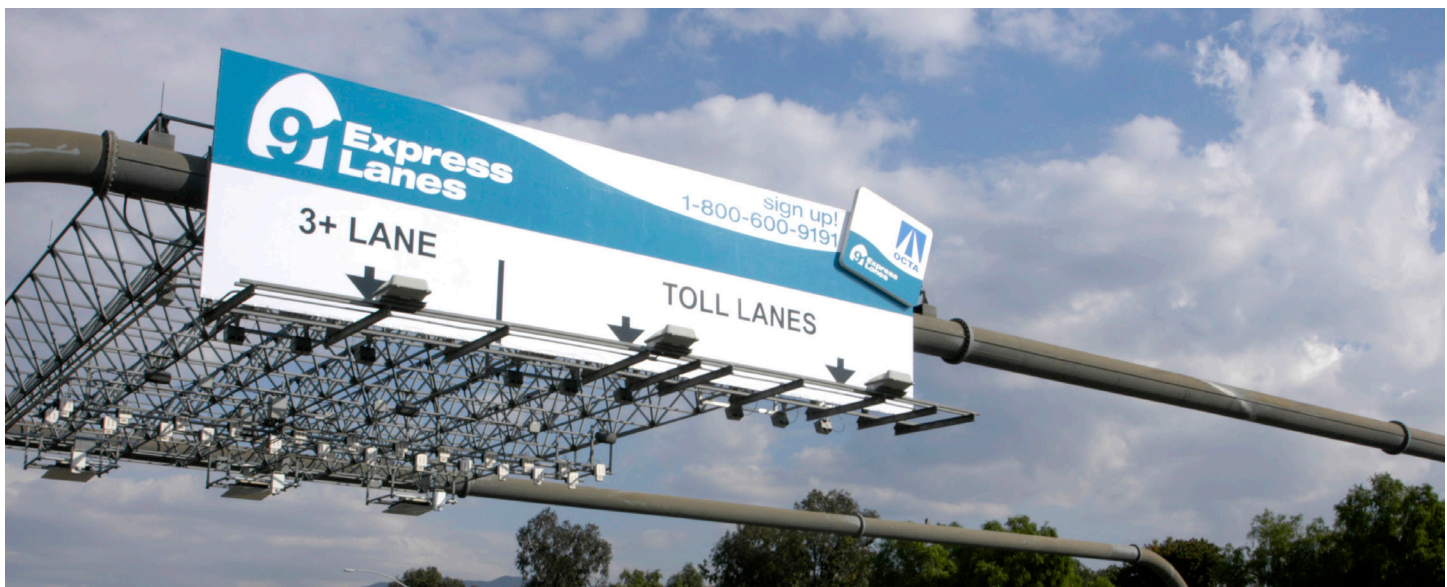
The largest component of non-toll revenues is comprised of account maintenance fees. Income from violation processing fees represents another large component of non-toll revenues. Other non-toll revenues include plate read fees, lost and stolen transponder fees, and miscellaneous fees. Projected toll road revenues are provided in **Figure 2**.

Capital

An internal capital reserve account was created as a fund for OCTA to deposit excess revenues into on an annual basis. This fund will be used for future capital expenditures on the 91 Express Lanes. After paying for operating expenditures, debt service, and reserves, state law allows remaining funds to be used for general improvements.

An additional capital reserve fund was approved by the Board in October 2017, specifically for eligible projects along the State Route 91 corridor in the areas

91 Express Lanes Freeway Sign.





Express Lanes

Figure 2 - Projected Toll Road Revenues
(in millions)

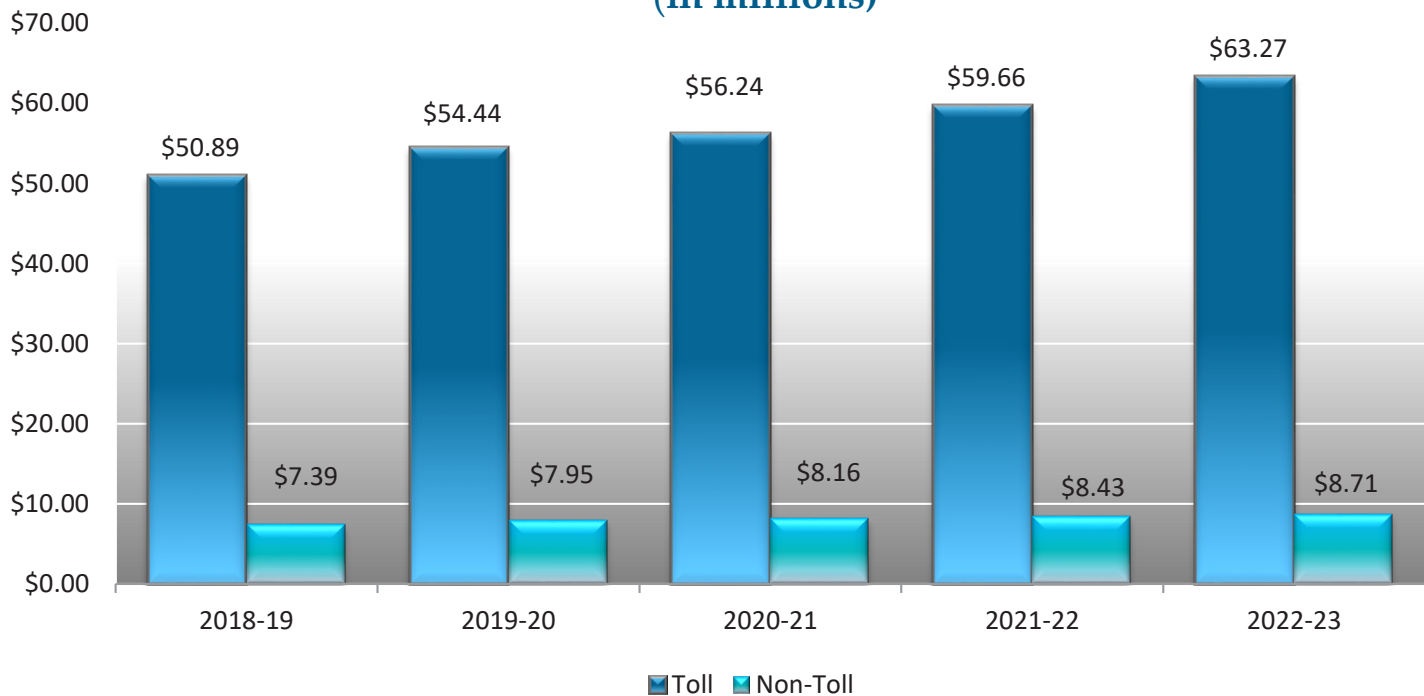
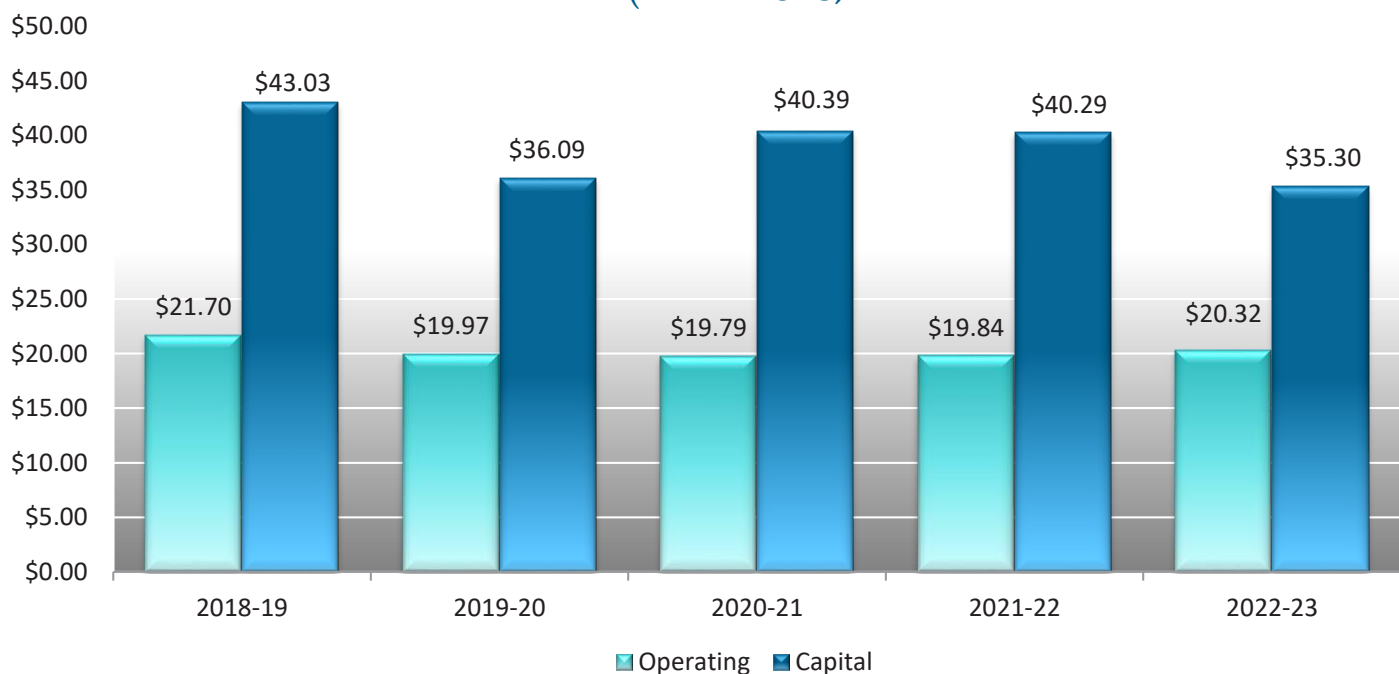
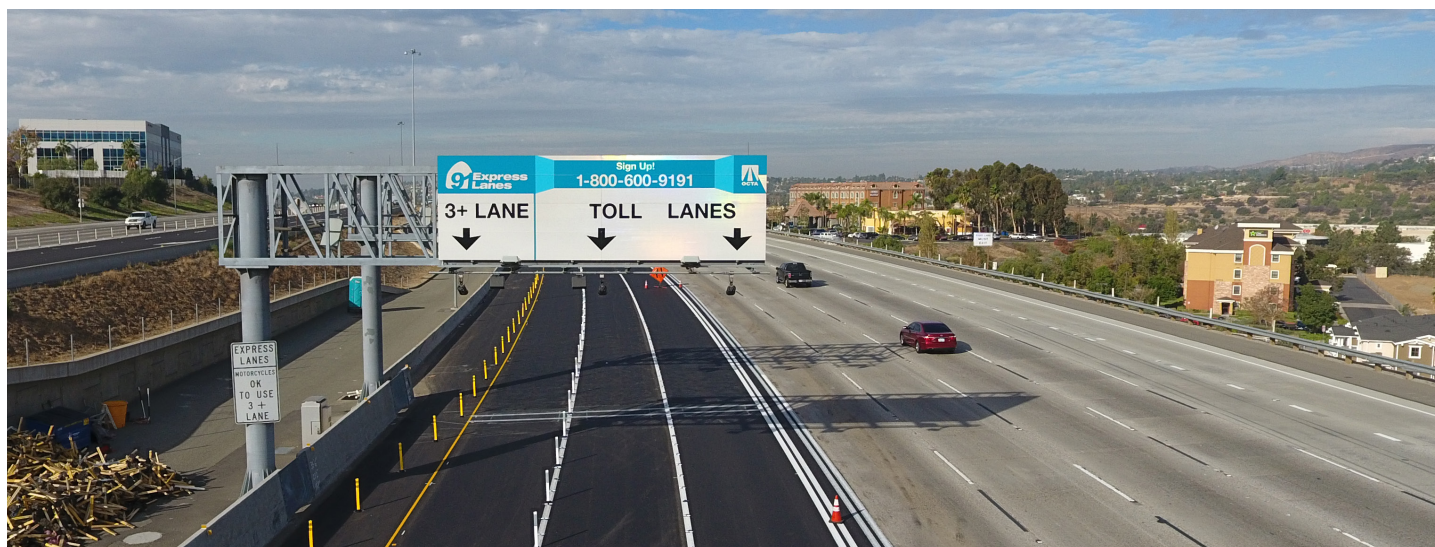
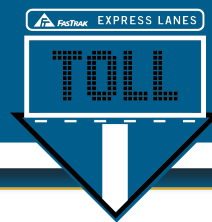


Figure 3 - Projected Toll Road Capital and Operating Expenses
(in millions)





The Pavement Replacement Project on the 91 Express Lanes was completed in 2016.

adjacent to the 91 Express Lanes. This fund will contribute to the SR-91 widening from SR-57 to SR-55 (M2 Project I) and the SR-91 widening from SR-241 to I-15 (M2 Project J) under M2 that are expected to cost \$741.7 million.

Toll Road Operating & Capital Expenditures

Expenses include: operating costs, capital purchases, reserve set-asides, and debt payments (e.g. senior debt service and subordinated debt repayment). There are two types of reserve set asides, those that are required by the senior bond indenture and the internal capital reserve fund established by the Board. Projected capital and operating expenses are provided in **Figure 3**.

Operations

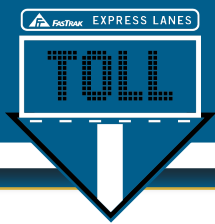
OCTA contracts with Cofiroute USA (Cofiroute) to provide management and operational services for the 91 Express Lanes. Cofiroute is responsible for: the day to day operations of the toll facility, including management of the Customer Service Center in Corona, the Traffic Operations Center in Anaheim, and the Customer Assistance Patrol, which assists stranded motorists on the 91 Express Lanes. Additional operating expenses include credit card processing fees and toll road account servicing. In May 2013, the OCTA Board approved a three-party operating agreement between OCTA, RCTC, and Cofiroute that identified Cofiroute as the service operator for the entire length of the 91 Express Lanes.

Routine maintenance is scheduled on every third Sunday (weather permitting) and is performed by Caltrans. Routine maintenance consists of sweeping, replacement of channelizers, and other repairs which can only be performed while the lanes are closed due to the need for crew safety. Closures are kept to a minimum and scheduled for non-peak traffic times.

Capital

The Electronic Toll and Traffic Management (ETTM) system identifies and captures vehicle information for customer account billing or violation processing. In 2018, a contract was executed with Kapsch TrafficCom USA, Inc; for the full architectural replacement of the ETTM System at a cost of \$7.5 million and future maintenance of the system at \$6.2 million. Project management and upgrades to the ETTM are planned to take place every seven to ten years, beginning with costs of \$3.5 million in FY 2023-24 for a partial upgrade, and a full system replacement for \$8 million in FY 2026-27. The services and upgrades will further improve the reliability, accuracy, and documentation of toll transactions.

In June 2011, the Revenue and Account Management System (RAMS), the new back-office/account management software developed by Cofiroute was deployed on the 91 Express Lanes' network. The RAMS retrieves data from the ETTM System, calculates the correct toll amounts, and automatically charges the customer



Express Lanes

accounts. In addition, the system interfaces with the California Department of Motor Vehicles (DMV) in order to retrieve information, and if appropriate, generates violation notices to be mailed to motorists who cannot be identified as customers. The system also interfaces with the customer service center's telephone system, the 91 Express Lanes' website, and exchanges files with other toll agencies for the processing of interoperability transactions. Replacement of the system is planned to take place every ten years, with a contract expected to be executed in FY 2018-19. It is anticipated to cost OCTA \$6.75 million for full replacement of the system during each ten-year cycle.

The 91 Express Lanes pavement has been in place since the lanes were constructed in 1995. In FY 2006-07, OCTA completed the pavement maintenance project when the pavement in the buffer area was found to have exhibited some surface loss with hairline cracks developing at a few locations. As part of the project, pavement cracks were filled and sections of the road were re-paved and re-sealed to reduce the rate of roadway deterioration. Since the pavement's design life was estimated to be 20 years, pavement analysis was conducted in order to assess whether an overlay or replacement was needed. It was determined that a full replacement would be best, and work began in September 2016 with partial weekend closures of the express lanes to complete the project. The pavement replacement work was completed in December 2016.

As part of the pavement replacement project, OCTA also replaced the variable message and price signs, along with the attached structures. There are a total of six signs that were replaced for \$687,000. The total cost of the pavement replacement project was \$15.2 million, with another upgrade planned in FY 2036-37.

Other capital expenditures include: facilities upgrades to the customer service center and administrative office which houses the traffic operations center, transponders, and miscellaneous expenses such as computers, printers, and additional equipment.

SR-91 General Purpose Lanes Implementation Plan

OCTA, in collaboration with Caltrans and RCTC,

issues an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 Express Lanes toll revenue and other funds. The FY 2017-18 SR-91 Implementation Plan describes projects and transportation benefits, anticipated implementation schedules by milestone

Figure 4 - SR-91 Implementation Plan Projects

No.	Project Summary (By County)	Cost (\$M)
Orange County Projects		
1	SR-91 Improvements between SR-57 and SR-55	250-350
2	Fairmont Boulevard Improvements	77
	Subtotal	327-427
Riverside County Projects		
5	15/91 Express Lanes Connector	180
6	SR-71/SR-91 Interchange Improvements	123
7	SR-91 Improvements East of I-15	TBD
	Subtotal	303+
Bi-County Projects		
8	Express Bus Service Improvements Between Orange County and Riverside County	6
9	Metrolink Service and Station Improvements	56
10	6th General Purpose Lane Addition (SR-241 to SR-71)	TBD
11	RCTC Operational Improvements	TBD
12	SR-241/91 Express Connector	181
	Subtotal	243+
Concepts Post-2035		
A-1	Elevated 4-Lane Facility (MIS Corridor A) from SR-241 to I-15 (Post-2035)	2,720
A-2	Anaheim to Ontario International Airport Maglev High Speed Rail (Post-2035)	2,770-3,200
A-3	Irvine-Corona Expressway (ICE) 4-Lane Facility from SR-241/SR-133 to I-15/Cajalco Road (Post-2030)	8,855
A-4	WB SR-91 to SB SR-55 Improvements (Post-2035)	75-150
A-5	EB SR-91 Fifth Lane Addition at SR-241	31
	Subtotal	14,451 - 14,956



OCTA approved \$1.3 billion towards major improvements on the I-405 Corridor.

year, and costs for major projects from now through FY 2034-35 and beyond. **Figure 4** shows the list of projects and cost estimates based on the FY 2017-18 SR-91 Implementation Plan approved by the Board in June 2018. Projects are organized by county, readiness, and logical sequencing; however, full funding for all projects has not been secured.

Excess Toll Revenue Policy

In January 2014, the Board adopted a policy on the use of excess 91 Express Lanes toll revenues. The adopted policy recommended that excess tolls be programmed relative to the capacities provided by freeway, rail, and bus travel modes. The corridor (including rail and bus, but excluding the 91 Express Lanes) is capable of carrying approximately 13,000 persons in the peak hour and peak direction. About 80 percent of this capacity is provided by the general purpose freeway lanes, and 20 percent by Metrolink and express bus service. The policy also includes an option for use of excess revenues for early debt retirement, as well as to pay for eligible M2 Program project within the 91 corridor.

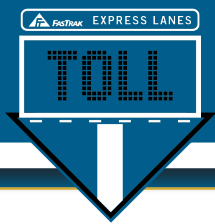
In June 2014, evaluation criteria and a set of potential candidate projects to maximize the allocation of excess

toll revenues were approved by the Board. The criteria included:

- Projects proposed to be funded by excess toll revenues must be included in the latest SR-91 Implementation Plan and Regional Transportation Plan
- Priority will be given to projects ready for implementation
- Any new financing will not impact OCTA's adopted 91 Express Lanes toll policy, existing bond agreements, or OCTA's ability to meet any and all financial obligations related to the 91 Express Lanes

The candidate projects approved by the Board include:

- Metrolink service expansion in the SR-91 corridor
- Placentia Metrolink station
- Express bus service in the SR-91 corridor
- Final design for the SR-91 improvement project between SR-57 and SR-55
- Operational study on the westbound SR-91 between SR-241 and SR-55



Express Lanes

In November 2017, OCTA's Board approved the Next 10 Plan, an update to the M2 M2020 Plan. The Next 10 Plan includes the utilization of up to \$748.7 million in 91 Express Lanes excess revenue on a pay-as-you-go basis for two projects: SR-91 Widening from SR-57 to SR-55 (M2 Project I), and SR-91 Widening from SR-241 to I-15 (M2 Project J).

The 80 percent split for freeway and 20 percent split for transit (rail and bus) projects is to be calculated every two years through the Comprehensive Business Plan (CBP) process and achieved by 2030.

Debt Service

OCTA purchased the 91 Express Lanes from CPTC for \$207.5 million, including \$72.5 million in cash from internal reserves and the assumption of \$135 million in taxable bonds. In November 2003, OCTA refinanced the 91 Express Lanes taxable bonds with tax-exempt bonds (Series 2003 Bonds). The issuance was in the amount of \$195.3 million with a final maturity of December 2030.

In July 2013, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds, Series 2013, to refund the outstanding Series 2003 Bonds. The Series 2013 Bonds were issued as fixed-rate bonds, having a true interest cost of 3.83 percent, and a final maturity date of December 2030.

The 2013 Bonds are rated "AA-" from Standard and Poor's, "A1" from Moody's, and "A" from Fitch. With the Standard and Poor's ratings, the 91 Express Lanes is one of the only single asset managed lanes toll facilities rated in the "AA" category.

Interstate 405 (I-405) Express Lanes

In 2013, OCTA's Board approved \$1.3 billion towards improvements on a major corridor in Orange County, I-405 through the cities of Costa Mesa, Fountain Valley, Huntington Beach, and Seal Beach. The Board approved alternative is commonly referred to as Alternative 1, which aligns with the M2 Ordinance and accommodates for the addition of one general purpose lane in each direction on I-405. On July 25, 2014, Caltrans informed OCTA that Alternative 3, the tolled

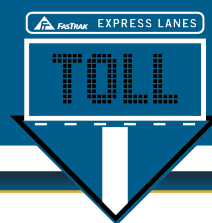
express lanes alternative, had been recommended as the project preferred alternative for improvements to the I-405 Improvement Project between SR-55 and I-605. Under Alternative 3, the tolled express lanes would be combined with existing high-occupancy vehicle (HOV) lanes to provide dual express lanes in both the north bound and south bound directions on the I-405. Adoption of Alternative 3 through collaboration with Caltrans and integration of the express lanes component brings the estimated total project cost to \$1.93 billion.

A major source of funding for development of the express lanes project will come from a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. In July 2017, OCTA representatives signed the approved TIFIA loan agreement for approximately \$629 million, or one third of the total project cost. As of June 30, 2018, \$165 million is outstanding on the loan.

Project Implementation

On November 14, 2016, OCTA awarded a \$1.2 billion design/build contract for the I-405 Improvement project to OC 405 Partners. Construction officially began with the groundbreaking ceremony in January, 2018 and completion of the overall project is expected in early FY 2022-23.

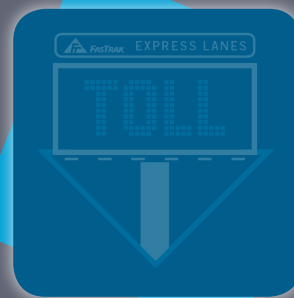
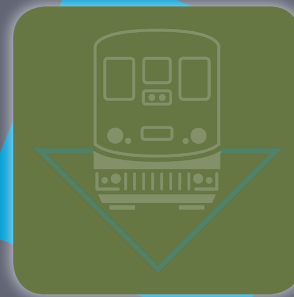
On October 12, 2015, the OCTA Board approved toll policy assumptions and options for the I-405 Express Lanes. OCTA instructed Stantec, who analyzes data related to the 91 Express Lanes, to conduct a Traffic and Revenue Study using the Board-approved assumptions for the proposed I-405 Express Lanes. This study was presented to the Board in May 2016 and offered several alternative toll policies that OCTA reviewed for implementation, and the Board approved a preliminary toll policy and finance plan. In February 2018, OCTA awarded a contract to Kapsch TrafficCom USA, Inc., for toll integrator services for the design, installation, operations, and maintenance of the ETTM System for the 405 Express Lanes.



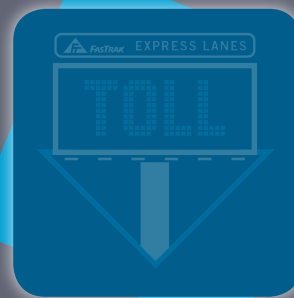
Cash Flow Statement - 91 Express Lanes

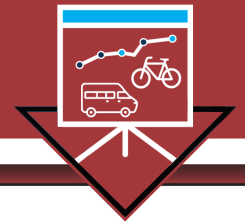
(millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	\$ 153.2	138.2	136.1	132.2	132.2	116.9	82.9	148.1
Cash flows from operating activities:								
Sources of funds:								
Toll revenue	50.9	54.4	56.2	59.7	63.3	83.5	109.2	127.6
Non-Toll Revenue	6.8	7.3	7.4	7.6	7.7	8.5	9.4	10.4
Total sources of funds	\$ 57.7	61.7	63.7	67.2	71.0	92.0	118.5	137.9
Cash flows from operating activities:								
Uses of funds:								
Management fee expense	2.8	3.0	3.1	3.2	3.4	4.2	5.2	6.4
Professional services	11.4	9.6	9.8	9.5	9.7	11.3	11.9	13.2
General and administrative	2.0	2.0	1.6	1.7	1.7	1.9	2.1	2.3
Other operating expenses	5.5	5.3	5.2	5.4	5.5	6.1	6.7	7.4
Total uses of funds	\$ 21.7	20.0	19.8	19.8	20.3	23.4	25.9	29.4
Net cash provided by operations	\$ 36.0	41.7	43.9	47.4	50.7	68.6	92.6	108.6
Cash flows from capital and related financing activities:								
Capital grants/other capital revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets	(43.0)	(36.1)	(40.4)	(40.3)	(35.3)	(93.4)	(132.5)	(72.1)
Bond proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds	(10.8)	(10.8)	(10.8)	(10.8)	(10.8)	(10.8)	0.0	0.0
Net cash used by capital and related financing activities	\$ (53.8)	(46.9)	(51.2)	(51.1)	(46.1)	(104.2)	(132.5)	(72.1)
Cash flows from investing activities:								
Interest on investments	0.6	0.7	0.7	0.9	1.0	1.9	2.4	2.7
Interest from capital replacement fund	2.2	2.4	2.6	2.9	3.3	3.3	2.1	6.1
Net cash provided by investing activities	\$ 2.8	3.1	3.4	3.8	4.3	5.2	4.4	8.9
Net increase/decrease in cash	\$ (15.0)	(2.1)	(3.9)	0.0	8.9	(30.5)	(35.5)	45.4
Available cash	\$ 138.2	136.1	132.2	132.2	141.1	86.4	47.4	193.5

NON-PROGRAM SPECIFIC PROJECTS



NON-PROGRAM SPECIFIC PROJECTS





Background

The majority of significant freeway, street and roads, and transit projects are funded primarily through the Measure M2 (M2) Program. The Orange County Transportation Authority (OCTA) has also committed to a handful of projects not funded through the M2 programs. These projects are funded using other local, state, and federal sources and include the vanpool program, rideshare program, and the Active Transportation Program.

Vanpool & Rideshare

OCTA administers vanpool and rideshare programs. The two programs are designed to encourage commuters to reduce their single occupancy vehicle commuter trips and use a carpool or vanpool for their daily commute. OCTA supports the Rideshare Program through annual activities like Dump the Pump Week, Bike Month, and Rideshare Week. Additionally, OCTA reaches out to current and potential rideshare participants and employers daily on social media, via email, and on OCTA.net. OCTA's Vanpool Program provides assistance to commuters working in Orange County who live in Los Angeles, Orange, Riverside, or San Ber-

nardino counties. OCTA works with employers, commuters, and private vanpool operators to organize and sustain vanpools throughout Orange County.

As of fiscal year (FY) 2017-18, a total of 527 vanpools serve over 176 destinations in Orange County, providing over 107,000 passenger trips per month. OCTA supports vanpool by administering programs that help commuters and employers find vanpool participants, including vanpool outreach and sales efforts. OCTA provides contracts to private companies that offer vehicle leases, and provides a \$400 a month subsidy for each vanpool to offset vehicle lease and maintenance costs.

Active Transportation Program

OCTA supports the expansion and promotion of active transportation throughout Orange County. Over the past year, OCTA has advanced multi-layered efforts related to engineering, education, and enforcement efforts to improve active transportation countywide. Coordination and collaboration continues between the Southern California Association of Governments (SCAG), Caltrans, OCTA Citizens Advisory Com-

Vanpool van picking up passengers.





Non-Program Specific Projects



Bicycle and pedestrian facilities promote active transportation.

mittee (CAC), and community members to identify improvements to the network of walking and bicycling facilities throughout Orange County.

Bicycle and Pedestrian Facilities

Since 2012, Orange County agencies have secured \$93.2 million in state and local grants for bicycle and pedestrian projects from the Active Transportation Program (ATP) and Bicycle Corridor Improvement Program (BCIP).

The Capital Programming Policies, last approved by the Board in May of 2017, set aside 10 percent of OCTA's annual Congestion Mitigation and Air Quality Improvement Program (CMAQ) apportionment for bicycle and pedestrian projects. Since 2012, OCTA has completed three BCIP calls for projects which will provide \$28.7 million towards the \$38.6 million required to fund 38 bicycle projects throughout Orange County.

Additionally, Orange County agencies secured \$64.5 million in three cycles of Statewide and Regional ATP funding. These funds are utilized for implementation of bicycle and pedestrian projects, active transporta-

tion planning, safe routes to school projects, and bicycle and pedestrian safety outreach and education. In May 2018, the California Transportation Commission (CTC) released the ATP Cycle 4 call for projects. The results for ATP Cycle 4 are pending.

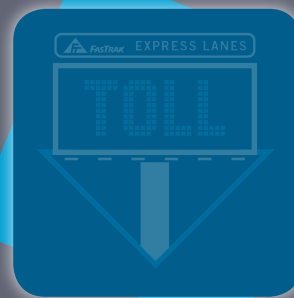
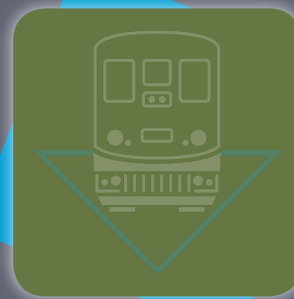
Bicycle Safety Program

OCTA supports the initiative for a safer and more bicycle friendly community. The Bicycle Safety and Awareness Program provides a comprehensive safety platform for all ages and skill levels of bicycle riders. The program will include the annual bike festival, the OCTA Bike Rally, and other May Bike Month events. Additionally, OCTA secured a grant from the Office of Traffic Safety to host bicycle skills training classes and distribute reflectorized materials to people riding the bus and bicycling in Orange County.

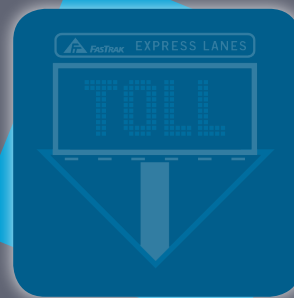
Active Transportation Planning Efforts

Additionally, the OCTA Planning Department is collaborating with law enforcement representatives, schools, and the Orange County Health Care Agency (OCHCA) on planning efforts. With Caltrans funding, the countywide Safe-Routes-to-Schools Action Plan will jointly be led by OCTA, with the OCHCA and will convene a partnership between cities, school districts, and local community organizations to support and encourage families to safely walk, bike, and roll to school. Additionally, OCTA received a grant from SCAG to facilitate the Partnerships With Police project to provide officer briefings on crash behaviors and laws affecting people walking and biking. These programs will help to create and foster a safer bicycle community for everyone on the road.

MOTORIST SERVICES



MOTORIST SERVICES





Background

The Motorist Services Program was instituted when California statute authorized Service Authority for Freeway Emergencies (SAFE) in 1985 to enable counties to generate revenue for the purpose of purchasing, installing, operating, and maintaining a system of motorist aid call boxes. The revenue collected is from a \$1 fee on all non-exempt registered vehicles along with an additional \$2 fee on certain commercial vehicles registered in Orange County. The program has since grown and is currently comprised of the Freeway Call Box, the FSP, and the Southern California 511 programs.

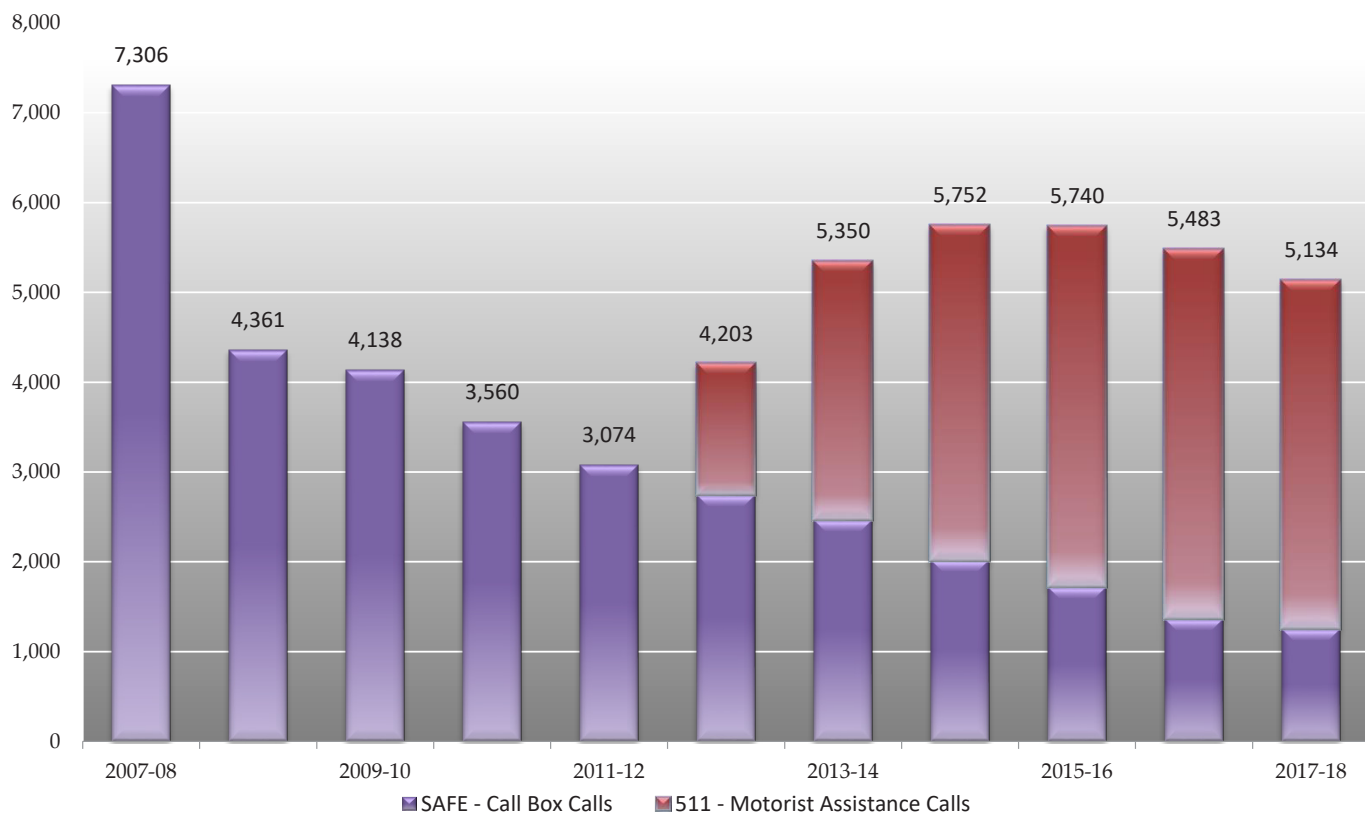
Freeway Call Box Program

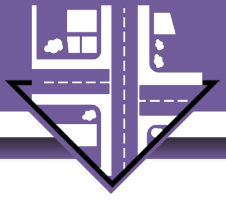
The Call Box Program consists of a network of approximately 420 solar powered cellular-based telephones along 197 centerline miles of highway and toll roads throughout the County. The Orange County Transportation Authority (OCTA) is responsible for the acquisition, installation, and maintenance of the call boxes. The Transportation Corridor Agencies (TCA)



FSP keeps the freeways moving & reduces congestion.

Figure 1 - SAFE Call Box and 511 Calls





Motorist Services

reimbursed OCTA for the cost of acquiring and installing call boxes on the toll roads. A private firm under contract with OCTA receives the calls and routes assistance requests to the California Highway Patrol (CHP) or FSP.

With the proliferation of cellular phones, call box usage in Orange County has steadily declined from FY 2007-08 to FY 2017-18 as shown in **Figure 1**. The number of call boxes was reduced by about half during FY 2005-06. This increased spacing between call boxes from one-quarter mile to one and one-quarter miles on freeways and from a half-mile to one mile on the toll roads.

FSP Program

In 1992, the California Legislature enacted a statute creating the Freeway Service Patrol (FSP) Program. Subject to annual appropriations, the FSP Program receives funding from the State Highway Account that requires a 25 percent local match. The Senate Bill 1

(SB1) transportation funding package was signed into law on April 28, 2017, and will provide annual funding to the FSP Program. SB1 funding will be used to expand tow truck hours beginning in fiscal year (FY) 2018-19. Excess revenue from the vehicle registration fee collected for the Call Box Program provides the 25 percent local match for the FSP Program and funds a share of the Southern California 511 Program.

The FSP Program is a traffic congestion management program designed for the rapid removal of motorists' disabled vehicles from traffic lanes and shoulders, as well as timely response to accidents and other incidents that require removal of debris on the freeways. The FSP is a partnership between Caltrans, CHP, and OCTA. Private tow truck companies operate the service under contract to OCTA. Each tow truck driver patrols their assigned freeway segment during program service hours, stopping to assist motorists. The driver offers assistance, such as changing a flat tire, offering a free gallon of gas, or taping a coolant hose as

Figure 2 - FSP Assists By Type

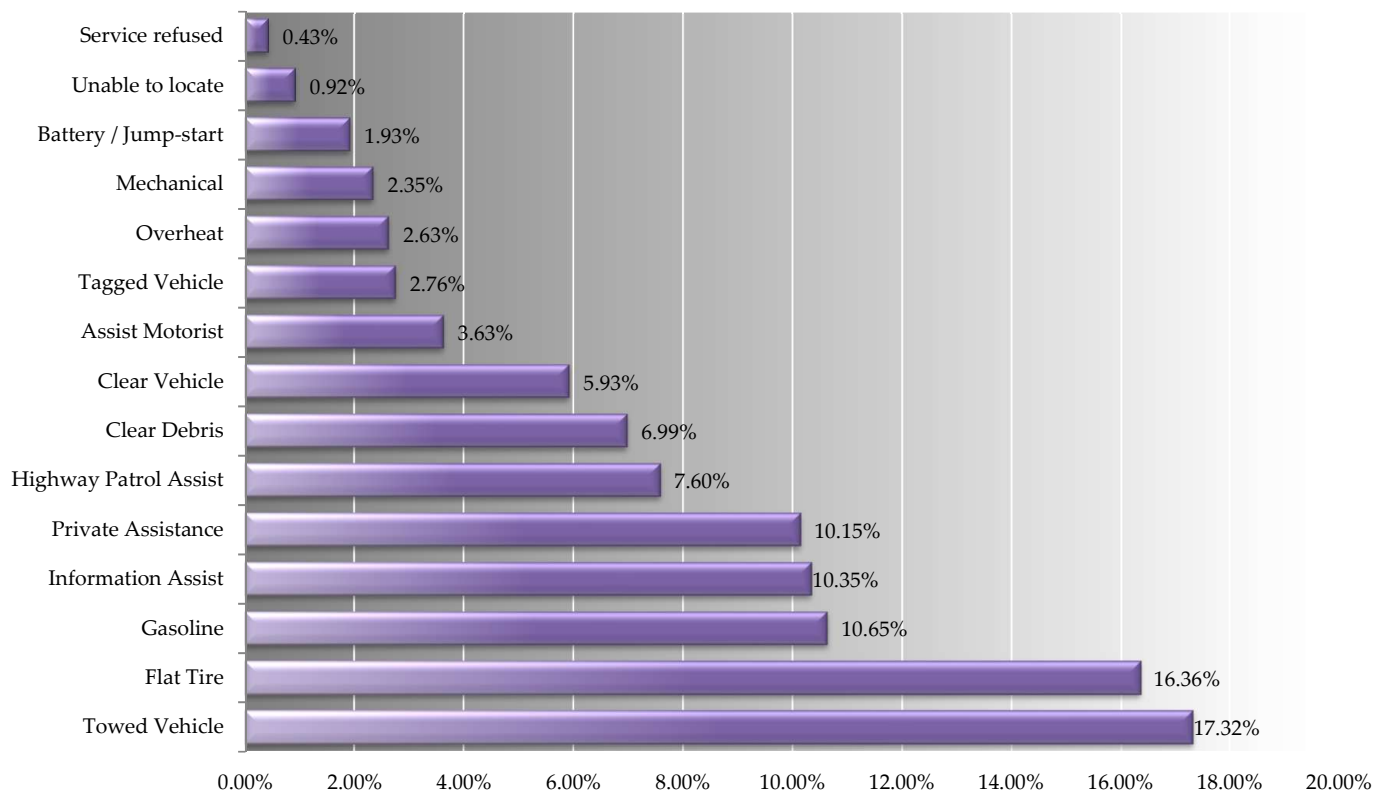
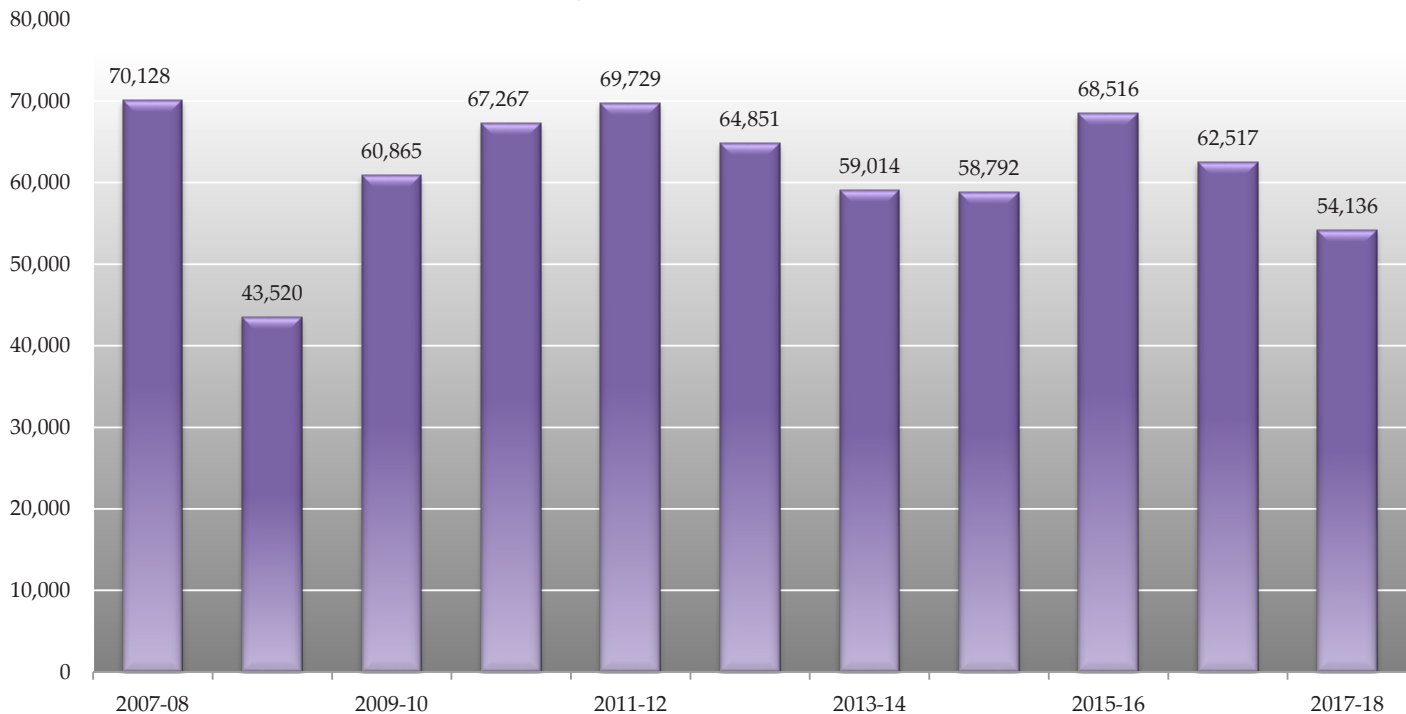




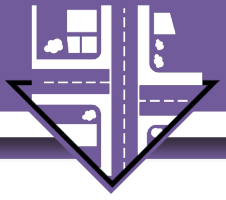
Figure 3 - FSP Assists



shown in **Figure 2**. OCTA's FSP tow trucks provided 54,136 assists in FY 2017-18 shown in **Figure 3**.

State funding allocation to the 14 agencies participating in the FSP Program is based on freeway miles, traffic congestion, and population within each jurisdiction. On November 7, 2006, voters approved Measure M2 (M2), which has a FSP component allocating approximately \$155.6 million to the program. The M2 funding will ensure program solvency and growth for an additional 30 years. During FY 2011-12, the Board approved the M2 Project N FSP guidelines. In accordance with the guidelines, two additional midday and two additional weekend beats were added in June 2012, to address growing congestion in those time periods. The 34 trucks being operated during peak hours, the seven trucks being operated midday, the four trucks being operated on the weekend, and the three trucks being operated during M2 construction deliver approximately 80,567 hours of service along Orange County's freeways. The current cost to operate this level of service is about \$5.1 million annually, exclusive of Motorist Services staff salaries.





Motorist Services

Southern California 511

Southern California 511 is the motorist aid and traveler information system for Los Angeles, Orange, and Ventura counties. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via a toll-free number with an interactive voice response system, the internet, and through a mobile application.

In 1999, the United States Department of Transportation petitioned the Federal Communications Commission (FCC) to designate a nationwide three-digit telephone number for traveler information. At the time, there were over 300 different telephone numbers providing some sort of highway or public transportation-related information to the public.

On July 21, 2000, the FCC designated 511 as the national travel information number. The FCC ruling leaves nearly all of the implementation issues to the states and local agencies. The ruling did not have a federal mandate regarding how to fund the national system. That would also be left to the states and local agencies. The Los Angeles County Metropolitan Transportation Authority (MTA) in partnership with OCTA, the Ventura County Transportation Commission, Caltrans, and CHP, developed the 511 system which debuted on June 14, 2010 as shown in **Figure 1**.



Cash Flow Statement - SAFE

(millions)	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	\$ 2.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cash flows from operating activities:								
Sources of funds:								
Freeway Service Patrol	3.2	5.0	5.6	5.8	5.4	5.5	6.4	7.5
Callbox	3.0	3.0	3.0	3.0	3.0	3.1	3.2	3.2
Total sources of funds	\$ 6.2	8.0	8.6	8.8	8.5	8.7	9.6	10.7
Cash flows from operating activities:								
Uses of funds:								
Salaries and benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management fee expense	0.9	0.9	1.0	1.0	1.1	1.3	1.5	1.8
Professional services	6.3	7.0	7.2	7.3	7.4	7.4	8.1	8.9
General and administrative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total uses of funds	\$ 7.2	8.0	8.2	8.4	8.5	8.7	9.6	10.8
Net cash provided by operations	\$ (1.1)	(0.0)	0.4	0.5	(0.0)	(0.0)	(0.0)	(0.0)
Cash flows from capital and related financing activities:								
Capital grants/other capital revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets	(0.1)	0.0	(0.4)	(0.5)	0.0	0.0	0.0	0.0
Net cash used by capital and related financing activities	\$ (0.1)	0.0	(0.4)	(0.5)	0.0	0.0	0.0	0.0
Cash flows from investing activities:								
Interest on investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities	\$ 0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase/decrease in cash	\$ (1.1)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	0.0
Available cash	\$ 1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0



Motorist Services

Freeway Service Patrol Beats



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www.octa.net

OCTA Transit Asset Management Plan (2018)

The Orange County Transportation Authority (OCTA) has developed a Transit Asset Management Plan (TAMP) in accordance with federal law. A primary objective of the plan is to document the various interdependent business processes, activities, and tools needed to manage the agency's transit assets to ensure safe, reliable, and high-quality transit service over the long-term.

Federal Requirement

The Federal Transit Administration (FTA) published the Transit Asset Management (TAM) Final Rule [49 CFR 625] in July 2016. To comply with this rule all recipients and sub-recipients of federal funds that own, operate, or manage capital assets used for providing public transportation must develop and implement TAM Plans. The plans must include an asset inventory and condition assessment, and a prioritized list of investments to support the state of good repair (SGR) of the agency's capital assets. The plans must be implemented by October 1, 2018.

TAM Purpose and Need

The purpose of the Final Rule is to help achieve and maintain a SGR for the nation's public transportation assets. Transit asset management is a business model that uses transit asset condition to guide the optimal prioritization of funding. Some of the benefits of TAM include: improved data on condition of assets, optimized resource allocation, improved productivity, and improved customer service.

TAMP Required Elements

The OCTA has established TAM performance targets and developed a TAMP which includes the following elements:

1. Asset Inventory
2. Condition Assessment
3. Decision Support Tools
4. Prioritization of SGR Needs
5. TAM Policy
6. Implementation Strategy
7. List of Key Annual Activities
8. Identification of Resources
9. Evaluation Plan

In addition to implementation of the TAM Plan, some additional National Transit Database (NTD) annual reporting on the condition of OCTA's transit assets will begin in October 2018.

OCTA Transit Asset Management Plan (2018)

OCTA TAM Plan Development

Beginning in the fall of 2016, staff has taken various steps to develop a TAMP that is fully compliant with federal law and is also well integrated with current OCTA practices. The following steps have been taken:

- Reviewed TAM federal guidance and best practices;
- Procured consultant contracts to assist with: (a) preparation of Facility Condition Assessments in accordance with FTA guidance, and (b) preparation of the TAM Plan;
- Conducted interviews with senior staff to assess current TAM practices;
- Updated the asset inventories for vehicles, equipment, and facilities;
- Held three management workshops to establish a TAM policy and goals, review condition assessments, discuss prioritization weights, and provide general input into the TAMP;
- Applied the FTA Transit Economics Requirements Model (TERM-Lite) to estimate the 20-Year transit capital needs; and
- Distributed the draft TAMP and draft TAM Policy for review and comment to all applicable divisions.

Multiple departments combine to track and monitor the SGR of OCTA's transit assets and to plan for the capital replacement of assets when they've reached the end of their useful life. Some of the regular, ongoing management activities that inform the TAM process include the following:

- Biennial Capital Asset Inventory
- 20-Year Fleet Outlook (annual updates)
- Comprehensive Business Plan (CBP) (biennial updates)
- Annual Budget
- NTD Annual Reporting

Integration of the new TAMP requirements with OCTA's ongoing management activities ensures that the TAMP is using the most current forecasts and can provide meaningful input into the agency's TAM practices, including identifying areas for improvement. The TAMP will be used to develop the 20-year list of prioritized transit capital needs and will be updated at least every four years per federal requirements.

2018 Condition Assessment Findings

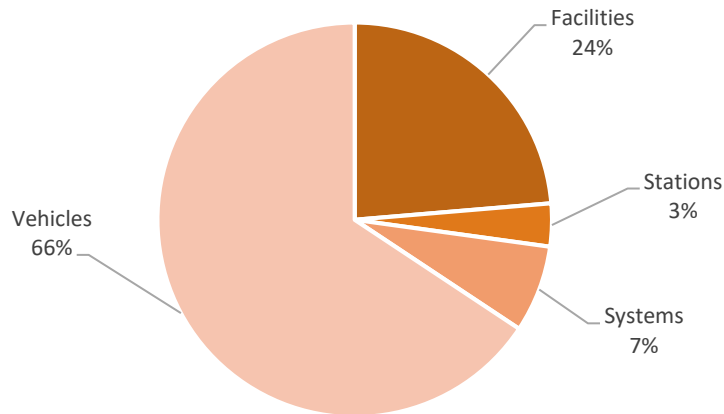
Recently completed condition assessments demonstrate that OCTA is maintaining its vehicles, equipment, and facilities in a state of good repair. The condition assessments indicate that: ninety-eight percent of revenue vehicles have not yet reached their useful life benchmark, 95 percent of non-revenue fleet vehicles have

OCTA Transit Asset Management Plan (2018)

not yet met their mileage targets, all OCTA facilities were inspected and rated on the FTA TERM scale as adequate or better condition.

Revenue vehicles represent the largest share of asset holdings (66 percent). Facilities – including bus maintenance and admin facilities – constitute the second largest share of OCTA's asset holdings (24 percent). The remaining 10-percent of assets consists primarily of support systems including fare collection, communications, and IT systems along with minor investments in passenger station related assets.

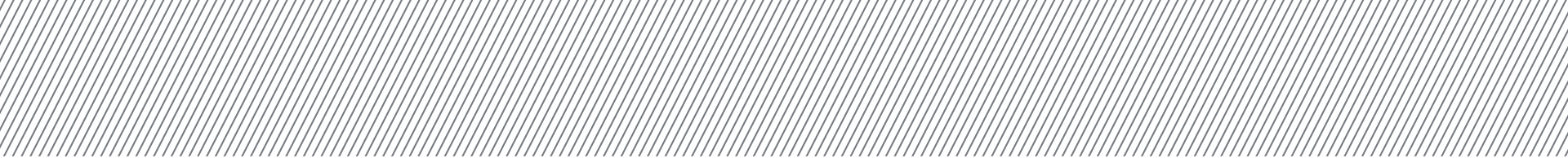
Existing Asset Base by Category (2018)



An assessment of the agency's 20-year transit capital needs indicates that OCTA has been proficient in replacing its transit assets on a timely basis. The study team did an analysis of revenue forecast estimates from OCTA's CBP to establish a 20-year constrained budget. Based on the analysis, OCTA's current SGR backlog is estimated to be approximately 4.5 percent of the total value of OCTA transit assets. This is another indicator that OCTA has been proficient in maintaining the agency's assets in a state of good repair.

Implementation Strategy

The OCTA TAMP addresses each of the nine required elements. It outlines the key annual activities that must occur each year between plan updates and identifies the responsible divisions. The TAMP also identifies areas for continuous improvement, where the agency can refine or improve current practices. Beginning in October 2018, OCTA will begin reporting on the condition of its transit assets (revenue vehicles, service vehicles, and facilities) during NTD annual reporting. The next TAMP update will be required in four years, October 2022.



Proposed Fiscal Year 2018-19 Comprehensive Business Plan

OCTA

Overview

- Purpose: To demonstrate the financial feasibility of OCTA's programs and services over a 20 year period.
- The plan is divided into six programs as follows:
 - Bus
 - Rail
 - Measure M2
 - 91 Express Lanes
 - Non - Program Specific Projects
 - Motorist Services

Bus Program

- Major Assumptions

- Maintain existing service levels
- Continued sales tax growth, which is a critical source to fund operations
- Continued Federal and State funding
- Fare revenue
 - Assumes ridership losses stabilize and grow slowly over time
 - Assumes an average fare increase of 25 percent every 10 years
- Continued growth in cost to operate paratransit service is contained
- Useful life of large bus fleet of 18 years
- Potential to add service

Bus Program

- Program Risks
 - Voter approval of Proposition 6 (repeal of SB 1)
 - Softening of sales tax growth
 - Continued declines in bus ridership
 - Continued growth in cost to operate paratransit service
 - Unfunded mandates

Rail Program

- Major Assumptions

- Maintain existing service levels
- Continued growth of M2 sales tax, which is the long term funding source for Metrolink operations
- Continued Federal and State funding
- Moderate annual growth in the Metrolink operating subsidy
- OCTA's portion of Metrolink's capital rehabilitation requirements can be fulfilled using primarily Federal capital funds

Rail Program

- Program Risks
 - Softening of sales tax growth
 - Unexpected growth in the operating subsidy provided to Metrolink
 - M2 funding exhausted in fiscal year 2041-42
 - Limited funding available for capital improvements outside of typical rehabilitation and refurbishment

Measure M2 Program

- Major Assumptions

- M2 Program sales tax of \$13.1 billion
- Continued Federal and State funding
- Revenue and expense assumptions consistent with the Next 10 Plan

- Risks

- Softening of sales tax growth
- Voter approval of Proposition 6 (repeal of SB 1)
- Cost impacts due to competition for resources

91 Express Lanes

- Major Assumptions

- Continued long-term growth in toll and non-toll revenue
- Moderate long-term cost growth in toll operations based on the joint operation agreement with the Riverside County Transportation Commission
- Excess toll revenue used to support two State-Route 91 Widening Projects
- Debt fully repaid in fiscal year 2030-31

- Risks

- Economic recession negatively impacting traffic volume
- Additional capacity added to the 91 corridor negatively impacting traffic volume

Motorist Services

- Major Assumptions

- Continued funding for the Motorist Services Program from DMV registration fee
- Continued State funding to support the Freeway Service Patrol (FSP) program
- Continued M2 sales tax growth to support FSP program
- Expanded service funded by SB 1

- Risks

- FSP program is reliant on State funding
- Voter approval of Proposition 6 (repeal of SB 1)