



AGENDA

Finance and Administration Committee Meeting

Committee Members

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

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

Wednesday, February 13, 2019 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. Committee Meeting 2019 Schedule

Michael Hennessey

Committee Chairman Hennessey will lead a discussion regarding the 2019 meeting schedule for the Finance and Administration Committee. The proposed 2019 dates and time for this Committee is provided in Attachment A.



3. Roles and Responsibilities of the Finance and Administration Committee
Darrell E. Johnson

Roles and responsibilities for the Finance and Administration Committee are reviewed periodically for any appropriate changes or additions. These roles and responsibilities are presented in Attachment A for discussion.

Consent Calendar (Items 4 through 11)

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

4. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of January 23, 2019.

5. Audit Responsibilities of the Finance and Administration Committee
Janet Sutter

Overview

The Finance and Administration Committee of the Board of Directors of the Orange County Transportation Authority serves as an audit committee in its oversight of audit activities. Annually, the Board of Directors approves the Audit Responsibilities of the Finance and Administration Committee to reaffirm the responsibilities of the Finance and Administration Committee with regard to audits.

Recommendation

Approve the Audit Responsibilities of the Finance and Administration Committee as an information item.

6. Agreed-Upon Procedures Performed with Respect to the National Transit Database Report For the Period July 1, 2017 through June 30, 2018
Janet Sutter

Overview

Vavrinek, Trine, Day & Co., LLP, an independent accounting firm, has issued the results of agreed-upon procedures applied to meet the requirements of the Federal Transit Administration's 2018 National Transit Database Policy Manual. No exceptions were found as a result of the procedures performed.



6. (Continued)

Recommendation

Receive and file the Orange County Transportation Authority Agreed-Upon Procedures Performed With Respect to the National Transit Database Report For the Period July 1, 2017 through June 30, 2018, as an information item.

7. Orange County Treasurer's Management Report - December 2018
Sean Murdock/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 December 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. Approval of Local Transportation Fund Fiscal Year 2019-20 Apportionment Estimates
Sam Kaur/Andrew Oftelie

Overview

The Orange County Transportation Authority, as the transportation planning agency and county transportation commission for Orange County, is responsible for developing estimates used in apportioning revenues earned and deposited in the Orange County Local Transportation Fund. Transportation Development Act regulations require that the apportionments for fiscal year 2019-20 be determined and prospective claimants be advised of the amounts.

Recommendation

Approve the Local Transportation Fund fiscal year 2019-20 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.



9. Adopt the 2019 Investment Policy
Sean Murdock/Andrew Oftelie

Overview

The 2019 Investment Policy sets forth the investment guidelines for funds invested by the Orange County Transportation Authority. Changes are recommended to the 2019 Investment Policy to better align the guidelines with current market conditions for the upcoming investment of Measure M2 bond proceeds.

Recommendation

Adopt the 2018 Investment Policy.

10. Consultant Selection for Real Property Management Services
Joe Gallardo/James G. Beil

Overview

On October 15, 2018, the Orange County Transportation Authority issued a request for proposals for consultant services to provide real property management services for Orange County Transportation Authority-owned properties. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute the agreement.

Recommendations

- A. Approve the selection of Cal Pacific Land Services, Inc., as the firm to provide real property management services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1853 between the Orange County Transportation Authority and Cal Pacific Land Services, Inc., as the firm to provide real property management services, in the amount of \$600,000, for a five-year term.



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- 11. Consultant Selection for the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project**
Kirk Avila/Kenneth Phipps

Overview

On November 26, 2018, the Orange County Transportation Authority issued a request for proposals for consultant services to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. Board of Directors' approval is requested for the selection of a firm to perform the required work.

Recommendations

- A. Approve the selection of Parsons Transportation Group, Inc., as the firm to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.

Regular Calendar

- 12. 91 Express Lanes Update for the Period Ending December 31, 2018**
Kirk Avila/Kenneth Phipps

Overview

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, over 210 million trips have been taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending December 31, 2018.

Recommendation

Receive and file as an information item.



Discussion Items

13. Chief Executive Officer's Report

14. Committee Members' Reports

15. Closed Session

There are no Closed Session items scheduled.

16. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 27, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



ORANGE COUNTY TRANSPORTATION AUTHORITY

2019 Finance & Administration Committee Meetings

JANUARY						
SUN	MON	TUE	WED	THU	FRI	SAT
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NOVEMBER						
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DECEMBER						
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 OCTA, OCTD, OCLTA, and OCSAFE regular Board meeting
9:00 a.m., OCTA Headquarters
550 South Main Street, Board Room - Conf. Room 07, Orange CA

 Finance & Administration Committee
10:30 a.m.

 OCTA Holidays

2019 OCTA Proposed Committee Meeting Calendar Finance and Administration Committee

Month	2019 Proposed Changes - Comparison with 2018 Calendar
January	No change
February	No change
March	No change
April	No change
May	No change
June	No change
July	No change
August	Add the first Finance and Administration Committee meeting of Wednesday, August 14th.
September	No change
October	Delete the first Finance and Administration Committee meeting of Wednesday, October 9th.
November	Delete the second Finance and Administration Committee meeting of Wednesday, November 27th.
December	No change

**Proposed Roles and Responsibilities
of the Board Committees for 2019
(02.13.19)**

Finance and Administration Committee

- Reviews and provides recommendations to the Board of Directors on matters related to the development of the annual OCTA budget and long-term financial planning;
- Reviews and provides recommendations to the Board of Directors on matters of treasury investments and operations, debt financing, financial operations, and financial reporting;
- Reviews and provides recommendations to the Board of Directors pertaining to the general administration of OCTA;
- Reviews and provides recommendations to the Board of Directors regarding human resources and risk management matters;
- Reviews and provides recommendations to the Board of Directors regarding administrative policies and procedures;
- Reviews and provides recommendations to the Board of Directors on operational matters pertaining to the 91 Express Lanes and the I-405 Express Lanes;
- Fulfills the functions of an audit committee as prescribed in the "Audit Responsibilities of the Finance and Administration Committee";
- Reviews and provides recommendations to the Board of Directors on other issues and projects, as deemed appropriate by the Chairman of the Board of Directors;
- Reviews and provides recommendations to the Board of Directors relative to the selection, implementation, and maintenance and security of information systems;
- Reviews and provides recommendations to the Board of Directors regarding procurement policies; and
- Reviews and provides recommendations to the Board of Directors on all matters related to the fare policy, toll policy and other fees charged by OCTA.



Committee Members Present

Andrew Do, Chairman
Michael Hennessey
Steve Jones

Committee Members Absent

Richard Murphy, Vice Chairman
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

Call to Order

The January 23, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:33 a.m.

Pledge of Allegiance

Director Hennessey led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 12)

2. 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 January 9, 2019.

3. Fiscal Year 2017-18 Annual Financial and Agreed-Upon Procedures Reports

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file the fiscal year 2017-18 annual financial statement audits and agreed-upon procedures reports as information items.



4. Fiscal Year 2017-18 Auditor's Communication to Those Charged with Governance

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.

5. Fiscal Year 2018-19 Internal Audit Plan, Second Quarter Update

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file the second quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan as an information item.

6. Rail Right-of-Way Maintenance, Internal Audit Report No. 19-502

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file Rail Right-of-Way Maintenance, Internal Audit Report No. 19-502, as an information item.

7. Local Agency Investment Fund - December 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. Orange County Transportation Authority Investment and Debt Programs Report - December 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.

9. Fourth Quarter 2018 Investment and Debt Report

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to receive and file the Quarterly Debt and Investment Report prepared by the Treasurer as an information item.

10. Second Quarter Fiscal Year 2018-19 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.



11. 91 Express Lanes Property Insurance Renewal

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A41172, in the amount of \$500,000, to Marsh USA, Inc., to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of the Orange County Transportation Authority for the policy period of March 1, 2019 to March 1, 2020.

12. Sale and Transfer of Property Located in the City of Anaheim from the Orange County Transportation Authority to the Orange County Transportation District

A motion was made by Director Jones, seconded by Director Hennessey, and declared passed by those present, to authorize the Chief Executive Officer to execute sale and transfer documents between the Orange County Transportation Authority and the Orange County Transportation District for Assessors Parcel Number 250-111-03, located in the City of Anaheim.

Regular Calendar

13. Selection of Consultant to Conduct Independent Annual Financial Auditing Services

Andrew Oftelie, Executive Director of Finance and Administration, introduced Janet Sutter, Executive Director of Internal Audit, who provided an overview on the procurement process.

Committee Chairman Do commented on the thoroughness of this procurement process.

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

- A. Approve the selection of Crowe, LLP, as the firm to provide independent annual financial auditing services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1911 between the Orange County Transportation Authority and Crowe, LLP, in the amount of \$888,300, to provide independent annual financial auditing services for an initial three-year term through March 31, 2022, and one, two-year option term.



14. Issuance of Series 2019 Measure M2 Bonds, Measure M2 Financing Documents, and Trustee Services Amendment

Andrew Oftelie, Executive Director of Finance and Administration, provided a PowerPoint presentation for this item on the following:

- Background,
- Interstate 405 Improvement Project Funding,
- Proposed Bond Structure,
- Proposed Annual Debt Service & Coverage,
- Financing Documents, and
- Next Steps.

A discussion ensued regarding the bonds paid completely in 2041, additional debt that could have been refinanced, and the line of credit reduction.

Darrell E. Johnson, Chief Executive Officer, stated since 2015 staff had a plan of finance and stayed on course. He also stated that this is a big milestone, and if there is not enough Board of Directors (Board) attendance at the January 28th Board meeting, to approve this item, it may need to be deferred by two weeks.

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

- A. Approve the issuance and sale of the Orange County Local Transportation Authority Measure M2 Sales Tax Revenue Bonds, Series 2019.
- B. Approve the refinancing of \$43.5 million of the outstanding 2010 Series A Bonds, if market conditions are favorable and Orange County Transportation Authority realizes debt service savings.
- C. Authorize the Chairman, Vice-Chairman, Chief Executive Officer, Executive Director of Finance and Administration/Treasurer, and Director of Finance and Administration of the Orange County Transportation Authority to sign all documents on behalf of the Orange County Local Transportation Authority.
- D. Adopt Resolution No. 2019-008 authorizing the Orange County Local Transportation Authority to proceed with the issuance and sale of up to \$450 million in Measure M2 Sales Tax Revenue Bonds and approve the required financing documents necessary for the Orange County Local Transportation Authority to proceed with the issuance and sale of Measure M2 sales tax revenue bonds.



14. (Continued)

- E. Approve a total of \$610,000 in cost of issuance expenses for bond counsel services, financial advisory services, rating fees, trustee services, and other miscellaneous expenses related to the issuance and sale of Series 2019 Measure M2 sales tax revenue bonds.
- F. Authorize the Chief Executive Officer to execute Amendment No. 1 to Purchase Order No. C-5-3790 between the Orange County Transportation Authority and the Bank of New York Mellon Trust Company, in the amount of \$8,500, to provide trustee services for the Orange County Local Transportation Authority Sales Tax Revenues Bonds. The total contract amount will be \$23,500.

Discussion Items

15. Chief Executive Officer's Report

There was no Chief Executive Officer's Report.

16. Committee Members' Reports

Committee Chairman Do expressed his pleasure to serve as the Finance and Administration Committee Chairman, and the Orange County Transportation Authority is a good benchmark for other agencies to meet. He also expressed appreciation for going to New York for the rating agency meetings and thanked the Committee Members for their hard work.

17. Closed Session

There were no Closed Session items scheduled.

18. Adjournment

The meeting adjourned at 10:52 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 13, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



MINUTES
Finance and Administration Committee Meeting

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Andrew Do
Committee Chairman



February 13, 2019

To: Finance and Administration Committee

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

Subject: Audit Responsibilities of the Finance and Administration Committee

Overview

The Finance and Administration Committee of the Board of Directors of the Orange County Transportation Authority serves as an audit committee in its oversight of audit activities. Annually, the Board of Directors approves the Audit Responsibilities of the Finance and Administration Committee to reaffirm the responsibilities of the Finance and Administration Committee with regard to audits.

Recommendation

Approve the Audit Responsibilities of the Finance and Administration Committee as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities. Internal Audit also coordinates and monitors the activities of external auditors, including the independent financial statement auditors. The Finance and Administration Committee (Committee) serves as OCTA's audit committee, having primary responsibility for the oversight of all audit activities.

Discussion

The Committee receives and reviews the annual Internal Audit Plan (Plan), all audit reports and management responses, and quarterly updates to the Plan.

The Committee reviews the independently audited financial statements of OCTA and its related entities, as well as the external auditor's required communications, including the management letter.

The Board of Directors originally adopted the Audit Responsibilities of the Finance and Administration Committee to establish responsibilities of the Committee with regard to audit. The responsibilities include an annual affirmation of the roles and responsibilities of the Committee in fulfilling this role.

Summary

Audit responsibilities of the Committee include Committee review of OCTA's audited financial statements, oversight of its Internal Audit function, and communication with its external auditors. These responsibilities are presented for Committee approval.

Attachment

- A. Orange County Transportation Authority, Audit Responsibilities of the Finance and Administration Committee

Prepared by:



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

**Orange County Transportation Authority
Audit Responsibilities of the Finance and Administration Committee**

The Finance and Administration Committee (Committee) of the Board of Directors (Board) of the Orange County Transportation Authority (OCTA) will assist the Board in fulfilling its audit oversight responsibilities with regard to (1) the integrity of OCTA's financial statements, (2) OCTA's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of OCTA's internal audit function. In providing this assistance to the Board, the Committee will assume audit responsibilities as provided herein and recommend action on all audit matters to the full Board.

All Committee members will participate in fulfilling these responsibilities. At least one of the Committee members will have financial experience sufficient to provide guidance and assistance to other Committee members on matters related to accounting, auditing, budgeting, and finance.

Audit responsibilities of the Committee will include, but not be limited to, the following:

Financial Statements

- Review with management and the external auditors:
 - The annual financial audit reports and related footnotes, schedules, unadjusted differences, and management letter, including OCTA accounting principles and significant estimates or judgments impacting the financial statements.
 - Any serious difficulties or disputes with management encountered during the audit.
 - Matters required to be discussed by Statements on Auditing Standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants or other state or federal agencies.
- Inquire of the Chief Executive Officer and the Executive Director of Finance and Administration regarding the fiscal health of OCTA as well as the financial status of OCTA in relation to its adopted budget.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Internal Audit Department (Internal Audit).
- Inquire of the external auditors, internal auditors, and management about significant risks or exposures facing OCTA and assess the steps management has taken or proposes to take to minimize such risks.
- Review the performance of the external auditors, including any issues arising during their most recent quality control or peer review, their independence as it relates to OCTA, and recommend to the Board the appointment or discharge of the external auditors.
- Make recommendations to the Board on procurement of the external auditors and ensure compliance with Government Code Section 12410.6 with regard to assignment of partners.

Orange County Transportation Authority
Audit Responsibilities of the Finance and Administration Committee

Internal Audit

- Review with management and the Executive Director of Internal Audit the annual audit plan and quarterly reports of audit activity.
- Review the activities, staffing, budget, independence, and organizational structure of the internal audit function, including the effectiveness of the function and its compliance with the Government Accountability Office's *Government Auditing Standards* (Yellow Book).
- Review all internal audit reports, including management responses thereto.
- Ensure there are no unjustified restrictions or limitations placed upon Internal Audit.
- Review and concur in the appointment, replacement, or dismissal of the Executive Director of Internal Audit.

Internal Control

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Consider the effectiveness of OCTA's internal control system, including information technology security and control.

Other

- Review the Audit Responsibilities of the Finance and Administration Committee annually to reassess their adequacy and recommend any proposed changes.
- Review the Committee's effectiveness in carrying out its responsibilities.
- Other matters deemed appropriate by the Committee Chairman or as directed by the Chairman of the Board.



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Agreed-Upon Procedures Performed with Respect to the National Transit Database Report For the Period July 1, 2017 through June 30, 2018

Overview

Vavrinek, Trine, Day & Co., LLP, an independent accounting firm, has issued the results of agreed-upon procedures applied to meet the requirements of the Federal Transit Administration's 2018 National Transit Database Policy Manual. No exceptions were found as a result of the procedures performed.

Recommendation

Receive and file the Orange County Transportation Authority Agreed-Upon Procedures Performed With Respect to the National Transit Database Report For the Period July 1, 2017 through June 30, 2018, as an information item.

Background

Transit agencies are required to annually report certain information to the Department of Transportation Federal Transit Administration (FTA) National Transit Database (NTD). Starting with fiscal year (FY) 2018, the FTA issued a revised NTD Policy Manual with updated NTD reporting requirements and related independent auditor reporting. The additional requirements outline the need for a financial data review to be performed by an independent auditor every ten fiscal reporting years.

To comply with the new requirements, the Governmental Audit Quality Center of the American Institute of Certified Public Accountants issued guidance for the conduct and presentation of the review. The Orange County Transportation

Authority's (OCTA's) Internal Audit Department engaged the services of OCTA's independent accounting firm, Vavrinek, Trine, Day & Co., LLP (VTD) to perform the review in conformance with the guidance provided.

Discussion

VTD has completed its application of agreed-upon procedures with respect to the NTD Report for FY 2018. The procedures were developed based on the 2018 NTD Policy Manual and resulted in no exceptions.

Summary

VTD has issued results of agreed-upon procedures applied to the NTD report for FY 2018.

Attachment

- A. Orange County Transportation Authority Agreed-Upon Procedures Performed With Respect to the National Transit Database Report For the Period July 1, 2017 through June 30, 2018

Prepared by:



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

Orange County Transportation Authority

Agreed-Upon Procedures Performed
With Respect to the National Transit Database Report

For the Period
July 1, 2017 through June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
and the Federal Transit Administration

We have performed the procedures enumerated below, on the application of the requirements of the Federal Transit Administration (FTA) as set forth in its applicable National Transit Database (NTD) Uniform System of Accounts (USOA) by the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2018. Such procedures, which were agreed to by the management of OCTA and the FTA (the specified party), were performed to assist OCTA and FTA in determining conformance with USOA requirements based on the following assertion by OCTA's management:

The accounting system from which the NTD reports for the year ended June 30, 2018, were derived, uses the accrual basis of accounting and is directly translated, using a clear audit trail, to the accounting treatment and categories specified by the USOA.

OCTA's management is responsible for conformance with the requirements described above. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures and associated findings are as follows:

1. Procedure: NTD Crosswalk

- a. Obtain the following NTD Reporting Forms prepared by management for the year ended June 30, 2018:
 - NTD Form F-10, Sources of Funds – Funds Expended and Funds Earned (USOA Section 2)
 - NTD Form F-20, Uses of Capital (USOA Section 3)
 - NTD Form F-30, Operating Expenses (USOA Section 4, 5, and 6 and Appendix A)
 - NTD Form F-40, Operating Expenses Summary
 - NTD Form F-60, Financial Statement
- b. Obtain the reconciliation documentation management prepares (referred to as “the crosswalk” throughout this report) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to the respective NTD Reporting Forms identified above.
- c. Inquire of management as to whether the crosswalk obtained in procedure 1.b is supported by the accounting system.

- d. For a transit agency that is part of a larger reporting entity, inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the larger reporting entity to specifically support the agency's transit service.
- e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable modes and types of service identified in the bulleted list below:
 - Sources of Funds, Form F-10 – Funding sources, passenger fares by mode and service type, passenger fares by passenger paid or by organization paid fares, revenue object class, and funds expended on operations and capital fund types
 - Uses of Capital, Form F-20 – Type of use, asset classifications, and modes and service types
 - Operating Expenses, Form F-30– Modes, service types, object classes and functions
 - Operating Expenses Summary, Form F-40 – Expense reconciling items
 - Financial Statement, Form F-60– Current assets, non-current assets, deferred outflows of resources, current liabilities, non-current liabilities, and deferred inflows of resources

Findings: No exceptions were found as a result of this procedure.

2. Procedure: Accrual Accounting

- a. Obtain the most recent audited financial statements that include the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.
- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.
- c. If the notes to the financial statements indicate that an accrual basis of accounting is not being used, or the results of the inquiry to management in procedure 2.b indicate the accrual basis of accounting is not being used in the current period, inspect the crosswalk to determine that the transit agency made adjustments to convert to an accrual basis for NTD reporting.

Findings: No exceptions were found as a result of this procedure.

3. Procedure: Sources of Funds (Form F-10)

- a. Trace and agree total sources of funds from Form F-10 to revenue reported in the accounting system using the crosswalk.
- b. Inspect the crosswalk for a written reconciliation between total revenues reported in the audited financial statements or the accounting system and the total revenues reported on Form F-10.
- c. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form F-10 to the accounting system.
- d. Trace and agree the largest revenue object class (other than passenger fares) in the following major categories of funds from Form F-10 to the accounting system: (1) Local Government; (2) State Government; (3) Federal Funds; and (4) Other Directly Generated Funds (i.e., 4100 and 4200 combined).
- e. Inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

Findings: No exceptions were found as a result of this procedure.

4. Procedure: Uses of Capital (Form F-20)

- a. Obtain accounting system documentation on capital asset additions for the reporting period.
- b. Trace and agree total uses of capital from Form F-20 to the crosswalk reconciliation of total capital asset additions.
- c. Trace and agree types of use (existing service and expansion of service) from Form F-20 to the crosswalk or other supporting documentation reflecting the nature of the uses of capital.
- d. Trace and agree asset classifications (guideway, revenue vehicles, etc.) from Form F-20 to the crosswalk or other documentation reflecting the assets classes of capital additions.
- e. For the largest mode/service type, trace and agree the type of use classification and asset classification from Form F-20 to the crosswalk or other documentation reflecting the uses of capital.
- f. If capital projects support multiple modes/types of services or and/or asset classifications, inquire of management as to whether management reported the use of capital considering the predominant use rules as described in the “Predominant Use” section of the 2018 NTD Policy Manual.
- g. If capital projects involve: 1) Rehabilitation/Reconstruction/Replacement/Improvement for Existing Service; and 2) Expansion of Service; inquire of management as to whether project costs were allocated between the two project purposes and whether such allocation was documented in the crosswalk or other supporting documentation.

Findings: No exceptions were found as a result of this procedure.

5. Procedure: Operating Expenses (Form F-30)

- a. For the two largest modes/type of services, trace and agree functions (vehicle operations, vehicle maintenance, etc.) from Form F-30 to the crosswalk or other written documentation of functional expenses.
- b. For the two largest modes/type of services, trace and agree object classes (natural expenses) from Form F-30 to the crosswalk or other written documentation of object class categories.
- c. If management allocated shared operating expenses, inquire of management as to whether (1) the operating expenses are split between direct and shared costs; (2) shared costs were allocated across modes, services types and functions, (3) the allocation was documented in the crosswalk or other supporting documentation; and (4) the driving variables used are updated annually.

Findings: No exceptions were found as a result of this procedure.

6. Procedure: Operating Expenses Summary (Form F-40)

- a. Obtain total expenses from the accounting system for the reporting period. Trace and agree total expenses from Form F-40 to the accounting system using the crosswalk.
- b. Trace and agree the reconciling items appearing on Form F-40 through the crosswalk to the accounting system.

Findings: No exceptions were found as a result of this procedure.

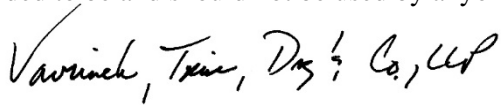
7. Procedure: Financial Statement (Form F-60)

- a. Trace and agree (1) Current Assets; (2) Non-Current Assets; (3) Deferred Outflows of Resources; (4) Current Liabilities; (5) Non-Current Liabilities; and (6) Deferred Inflows of Resources appearing on Form F-60 to the crosswalk or other supporting documentation.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on OCTA's conformance with the requirements described above, for the year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of OCTA and the FTA and is not intended to be and should not be used by anyone other than these specified parties.



Laguna Hills, California
January 29, 2019



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Treasurer's Management Report- December 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 December 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 December 31, 2018, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$1,321,532,097 with a monthly gross yield of 1.86 percent and a month-end average days to maturity of 19 days. The OCIP Extended Fund book value was \$8,050,902,979 with a monthly gross yield of 2.07 percent and a month-end average days to maturity of 367 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$161,862; the combined pool had a monthly gross yield of 2 percent and month-end average days to maturity of 275 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 December there was one change 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 103 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 December 31, 2018.

Attachment

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

Prepared by:



Sean Murdock
Director,
Finance and Administration
(714) 560-5685

Approved by:



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

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

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



COUNTY OF ORANGE

**TREASURER'S INVESTMENT REPORT
For December 31, 2018**

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



INTERDEPARTMENTAL COMMUNICATION

Date: January 15, 2019

To: Supervisor Lisa Bartlett, Chairwoman
Supervisor Michelle Steel, Vice-Chair
Supervisor Andrew Do
Supervisor Doug Chaffee

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

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

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended December 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 December 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 short-term 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 September 19, 2018, reaffirmed their highest rating of AAAM on the OCMMF and the OCEMMF. The County Treasurer also established the Extended Fund that is generally invested to meet longer-term cash needs up to five years. 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 19 and 48, 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 86. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.32), and the duration is currently at .99. The 2019 IPS provides that all pools, except short-term pools, shall have a maximum duration of 1.5 years. The investments in all of the funds are marked to market daily to calculate the daily fair 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 December 2018, the job market added 312,000 new jobs, and November's job numbers were revised upward by 21,000 to 176,000. The U.S. unemployment rate for December rose to 3.9% from 3.7% in November. The U.S. Gross Domestic Product third quarter rate decreased from the prior reported rate of 3.5% to 3.4%. The Empire State Manufacturing Index decreased to 11.5, and December's number was revised downward by 1.9 to 21.4. The Philadelphia Fed Index decreased to 9.4, and November's number was revised downward by 1.0 to 11.9. 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-eighth consecutive month in October, up 5.48% from a year ago. The index for pending home sales decreased 0.7% on a year-over-year basis in November.

On December 19, 2018, the Federal Open Markets Committee (FOMC) raised the benchmark Federal Funds rate by 0.25 percent resulting in a new target range of 2.25 percent to 2.50 percent.

The 10-year Treasury rate decreased from 3.01% in November to 2.69% in December. The short-term 90-day T-bill increased from 2.37% at the end of November to 2.45% at the end of December. The rate on the 2-year Treasury note was 2.48% at the end of December, down from 2.80% in November.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2018/2019 is 1.83% for OCIP and 1.85% for OCEIP. The current net yield for fiscal year 2018/2019 is 1.77 for OCIP and 1.79% for OCEIP. The forecasted net yield for fiscal year 2018/2019 for both OCIP and OCEIP is 1.81%. We expect to provide our updated estimate next month based on the December increase of 0.25 percent of the benchmark Federal Funds rate.

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 November 2018 and December 2018 interest apportionments are expected to be paid in February 2019 and March 2019, respectively. The investment administrative 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. Temporary transfers from the OCEIP total \$40 million and will be repaid by January 31, 2019.

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 \$237 million in County of Orange debt, which represents approximately 2.3% of total pooled assets. On January 14, 2019, the Investment Pools purchased, at par value, \$402 million of unrated County of Orange Taxable Pension Obligation Bonds Series 2019 A debt in a private placement with coupon interest rates ranging from 2.816% to 2.899%. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had no compliance exceptions for the month of December 2018. The Auditor-Controller contracted with Macias, Gini & O'Connell (MGO) to perform one of their required audits of the Treasury. MGO issued their Report of the Schedule of Assets Held by the County Treasury as of June 30, 2017. In their Independent Auditor's Report, they opined that the Schedule of Assets Held by the County Treasury presents fairly, in all material respects, the assets held in the County Treasury as of June 30, 2017, in accordance with the basis of accounting as described in the notes to the financial schedule. Included as part of this audit, they also provide an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The report did not identify any deficiencies in internal control over financial reporting that they consider to be material weaknesses, and the results of year tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

CREDIT UPDATE

During December, there were no changes to the Treasurer's Approved Issuer List. 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 December 31, 2018 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on December 18, 2018. 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

	DECEMBER 2018	NOVEMBER 2018	INCREASE (DECREASE)	NET CHANGE %	DECEMBER 2017	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ^{1,2}	\$ 5,008,408,848	\$ 4,886,945,126	\$ 121,463,722	2.49%	\$ 5,051,177,152	\$ (42,768,304)	-0.85%
End Of Month Book Value ^{1,2}	\$ 5,016,509,479	\$ 4,905,593,339	\$ 110,916,140	2.26%	\$ 5,067,583,251	\$ (51,073,772)	-1.01%
Monthly Average Balance ³	\$ 5,430,555,655	\$ 4,484,731,134	\$ 945,824,521	21.09%	\$ 5,364,747,174	\$ 65,808,481	1.23%
Year-To-Date Average Balance	\$ 4,251,548,062	\$ 4,015,746,544	\$ 235,801,519	5.87%	\$ 4,247,353,852	\$ 4,194,210	0.10%
Monthly Accrued Earnings ⁴	\$ 9,272,010	\$ 7,288,212	\$ 1,983,798	27.22%	\$ 5,218,424	\$ 4,053,586	77.68%
Monthly Net Yield ⁴	1.94%	1.91%	0.03%	1.73%	1.07%	0.87%	81.21%
Year-To-Date Net Yield ⁴	1.77%	1.72%	0.05%	2.75%	1.06%	0.71%	66.82%
Annual Estimated Gross Yield ⁵	1.87%	1.87%	0.00%	0.00%	1.28%	0.59%	45.80%
Weighted Average Maturity (WAM) ⁶	275	318	(43)	-13.47%	236	40	16.77%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ^{1,3}	\$ 5,370,720,634	\$ 4,405,054,283	\$ 965,666,351	21.92%	\$ 5,120,285,071	\$ 250,435,563	4.89%
End Of Month Book Value ^{1,3}	\$ 5,380,553,768	\$ 4,423,566,284	\$ 956,987,484	21.63%	\$ 5,137,293,954	\$ 243,259,814	4.74%
Monthly Average Balance	\$ 4,752,884,924	\$ 4,342,933,090	\$ 409,951,834	9.44%	\$ 4,467,819,643	\$ 285,065,281	6.38%
Year-To-Date Average Balance	\$ 4,629,927,160	\$ 4,605,335,607	\$ 24,591,553	0.53%	\$ 4,377,344,352	\$ 252,582,808	5.77%
Monthly Accrued Earnings ⁴	\$ 8,370,364	\$ 7,238,003	\$ 1,132,361	15.64%	\$ 4,461,667	\$ 3,908,698	87.61%
Monthly Net Yield	1.99%	1.94%	0.05%	2.37%	1.10%	0.89%	81.30%
Year-To-Date Net Yield	1.79%	1.75%	0.04%	2.36%	1.06%	0.73%	69.10%
Annual Estimated Gross Yield ⁵	1.87%	1.87%	0.00%	0.00%	1.30%	0.57%	44.13%
Weighted Average Maturity (WAM) ⁶	306	350	(44)	-12.66%	237	69	29.26%

¹ Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values are slightly lower than book value due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016, but both have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² End of Month Market and Book Values for OCIP in December 2018 are only slightly up from November 2018, a significant change from prior years, as a large property tax payment came in November versus December. Also, these End of Month Market and Book Values are lower than in December 2017 due to the large number of second installment payments received in December 2017 due to the Federal Tax Law change.

³ In December 2018, OCIP Monthly Average Balance increased from prior month primarily due to higher incoming secured property tax receipts that more was received earlier in the property tax cycle than in the prior year. OCEIP End Of Month Market and Book values increased from prior month primarily due to the receipt of secured property tax apportionment on December 17, 2018 for \$961 million, up slightly from last year's apportionment of \$930 million. End Of Month Market and Book Values were up from December 2017 primarily due to a net increase in investments of \$108 million from school and community college districts issuing bonds in 2018.

⁴ In December 2018, the OCIP and OCEIP Monthly Accrued Earnings increased from prior month primarily due to an increase of the Federal Reserve short-term rate of 25 basis points and the higher Monthly Average Balances. The OCIP and OCEIP Monthly Accrued Earnings, Monthly Net Yields and Year-To-Date Net Yields were higher than the prior year primarily due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016.

⁵ The OCIP and OCEIP annual estimated gross yields for December 2017 are reported at the actual annual gross yields for FY 17/18, and their annual estimated gross yields for December 2018 are reported at the forecasted gross yield of 1.87%. The OCIP and OCEIP annual estimated gross yields for FY 18/19 are higher than FY 17/18 yields of 1.28% and 1.30% respectively, primarily due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016.

⁶ In December 2018, the OCIP WAM were lower than in November 2018 primarily due to incoming property tax dollars deposited and invested in shorter maturities until distribution to County Agencies, Cities, and School and Community College Districts consistent with prior year's WAM trends. The OCEIP WAM was lower due to a increase in investments purchased with shorter-term maturities to meet upcoming liquidity needs. The OCIP and OCEIP WAMs in December 2018 were higher than the prior year primarily due to more investments with longer maturities being purchased.

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

INVESTMENT STATISTICS - By Investment Pool⁽¹⁾

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 12/31/2018	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV ⁽⁴⁾
COMBINED POOL BALANCES (includes the Extended Fund)						
Orange County Investment Pool (OCIP)	MARKET Value \$ 5,008,408,848	275	2.15%	2.00%	1.94%	1.00
	COST (Capital) \$ 5,012,961,261					
	MONTHLY AVG Balance \$ 5,430,555,655					
	QUARTERLY AVG Balance \$ 4,687,108,152					
	BOOK Value \$ 5,016,509,479					
Orange County Educational Investment Pool (OCEIP)	MARKET Value \$ 5,370,720,634	306	2.13%	2.05%	2.00%	1.00
	COST (Capital) \$ 5,376,903,140					
	MONTHLY AVG Balance \$ 4,752,884,924					
	QUARTERLY AVG Balance \$ 4,492,687,170					
	BOOK Value \$ 5,380,553,768					

INVESTMENT STATISTICS - Non-Pooled Investments⁽²⁾

DESCRIPTION	CURRENT BALANCE	INVESTMENT BALANCES AT COST	
Specific Investment			
Funds:	MARKET Value \$ 106,238,584	John Wayne Airport Investment Fund	51,512,155
283, FVSD, CCCD	COST (Capital) \$ 106,781,116	Fountain Valley School District Fund 40	34,790,770
	MONTHLY AVG Balance \$ 106,494,222	CCCD Series 2017E Bonds	20,478,191
	QUARTERLY AVG Balance \$ 106,417,284		
	BOOK Value \$ 106,672,698		
			\$ 106,781,116

MONTH END TOTALS

INVESTMENTS & CASH		INVESTMENTS & CASH	
COUNTY MONEY MARKET FUND (OCMMF)			
County Money Market Fund	\$ 1,319,969,287	OCIP	\$ 5,015,981,195
County Cash & Cash Equivalent	3,019,934	OCEIP	5,377,062,589
EXTENDED FUND	8,046,577,019	Specific Investment Funds	106,781,116
EDUCATIONAL MONEY MARKET FUND (OCEMMF)		Non-Pooled Cash & Cash Equivalent ⁽⁴⁾	21,584,461
Educational Money Market Fund	1,023,318,095		
Educational Cash & Cash Equivalent	159,449		
NON-POOLED INVESTMENTS			
Non-Pooled Investments @ Cost	106,781,116		
Non-Pooled Cash & Cash Equivalent	21,584,461		
	\$ 10,521,409,361		\$ 10,521,409,361

KEY POOL STATISTICS

INTEREST RATE YIELD		WEIGHTED AVERAGE MATURITY (WAM)	
OCMMF - MONTHLY GROSS YIELD	1.86%	OCMMF	19
OCEMMF - MONTHLY GROSS YIELD	2.11%	OCEMMF	48
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD	2.31%	JOHN WAYNE AIRPORT WAM	86
OCIP - YTD NET YIELD ⁽³⁾	1.77%	LGIP WAM (Standard & Poors)	35
OCEIP - YTD NET YIELD ⁽³⁾	1.79%		
90-DAY T-BILL YIELD - MONTHLY AVERAGE	2.39%		

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

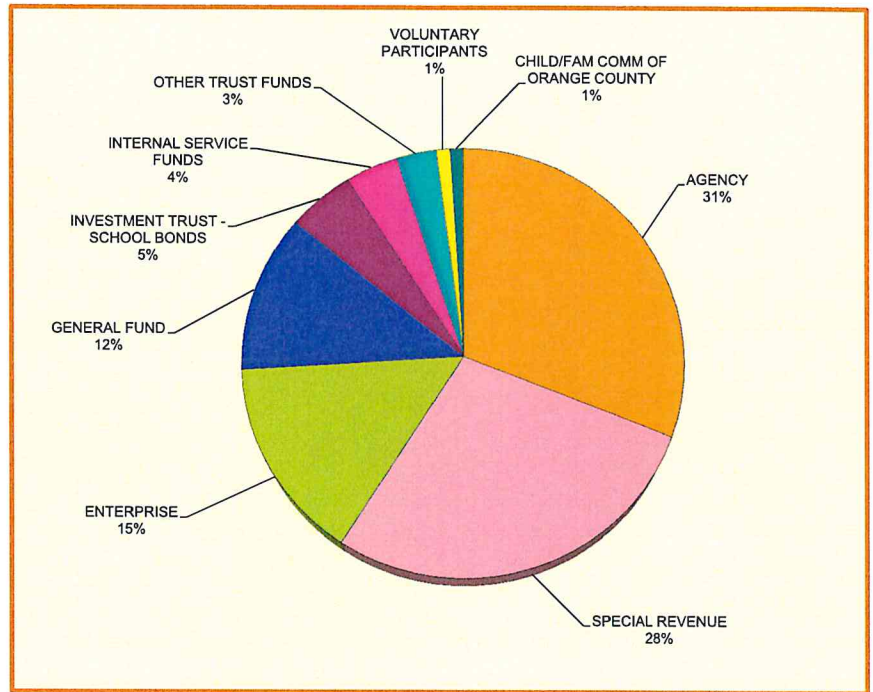
INVESTMENT STATISTICS - By Investment Fund

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 12/31/2018	MONTHLY Gross Yield	QUARTER Gross Yield	Current NAV ⁽⁴⁾
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 1,321,837,296 COST (Capital) \$ 1,319,969,287 MONTHLY AVG Balance \$ 1,460,217,380 QUARTERLY AVG Balance \$ 1,204,881,487 BOOK Value \$ 1,321,532,097	19	2.34%	1.86%	1.88%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,024,704,481 COST (Capital) \$ 1,023,318,095 MONTHLY AVG Balance \$ 872,012,184 QUARTERLY AVG Balance \$ 882,051,287 BOOK Value \$ 1,024,628,171	48	2.36%	2.11%	2.14%	1.00
<u>Extended Fund</u>	MARKET Value \$ 8,032,587,705 COST (Capital) \$ 8,046,577,019 MONTHLY AVG Balance \$ 7,851,211,015 QUARTERLY AVG Balance \$ 7,092,862,548 BOOK Value \$ 8,050,902,979	367	2.08%	2.07%	1.96%	1.00
ALLOCATION OF EXTENDED FUND						
<u>Extended Fund</u> <u>OCIP Share</u>	MARKET Value \$ 3,686,571,552 COST (Capital) \$ 3,692,991,974 MONTHLY AVG Balance \$ 3,970,338,275 QUARTERLY AVG Balance \$ 3,482,226,665 BOOK Value \$ 3,694,977,382	367	2.08%	2.07%	1.96%	1.00
<u>OCEIP Share</u>	MARKET Value \$ 4,346,016,153 COST (Capital) \$ 4,353,585,045 MONTHLY AVG Balance \$ 3,880,872,740 QUARTERLY AVG Balance \$ 3,610,635,883 BOOK Value \$ 4,355,925,597	367	2.08%	2.07%	1.96%	1.00
<u>Modified Duration</u>	0.99					

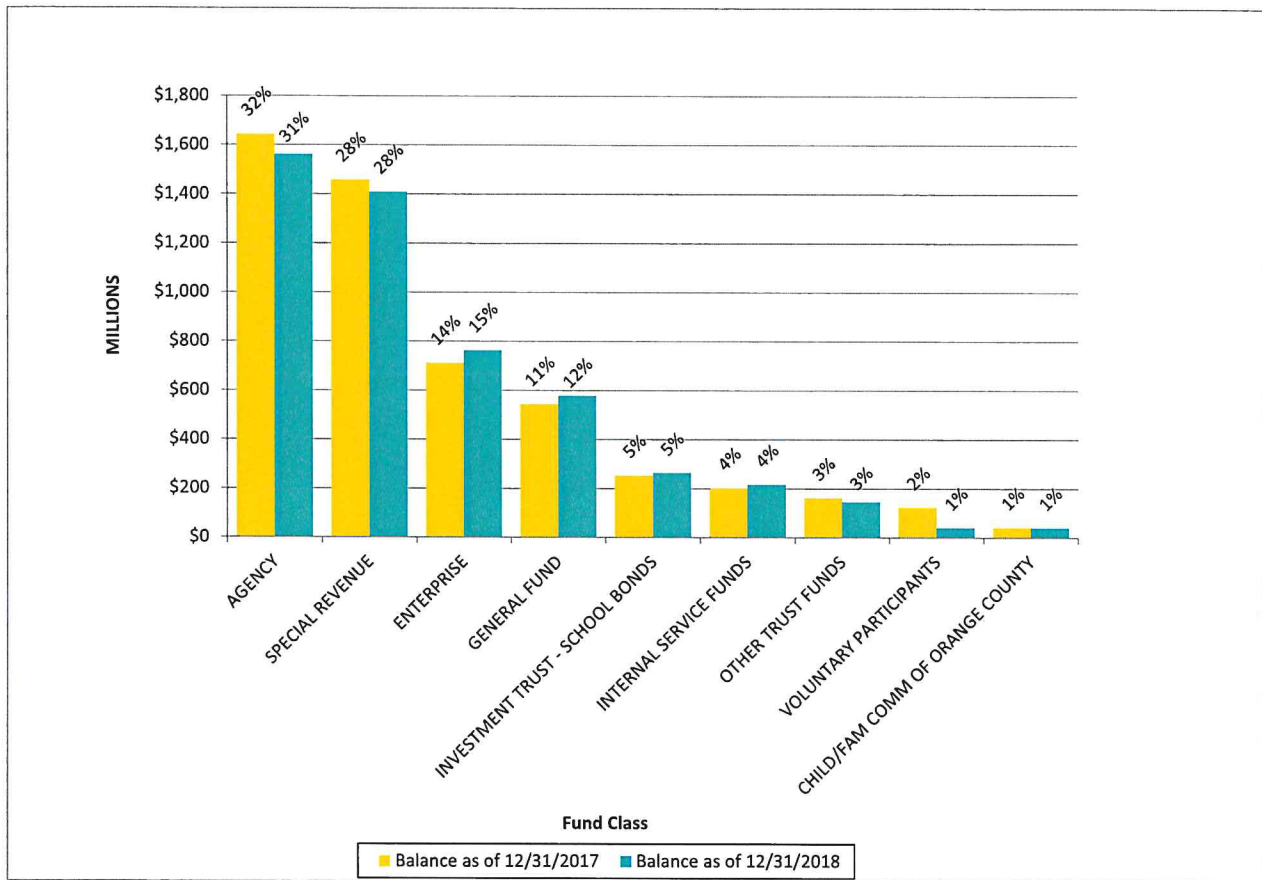
- (1) The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.
 (2) Specific non-pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.
 (3) The Net Yield differs from the Monthly Gross Yield as it includes the deduction of the Investment Administrative Fee.
 (4) Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

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

FUNDS	BALANCE
AGENCY	\$ 1,560,987,765
SPECIAL REVENUE	1,409,348,809
ENTERPRISE	762,435,295
GENERAL FUND	578,229,210
INVESTMENT TRUST - SCHOOL BONDS	263,251,987
INTERNAL SERVICE FUNDS	215,891,538
OTHER TRUST FUNDS	145,447,030
VOLUNTARY PARTICIPANTS	40,094,315
CHILD/FAM COMM OF ORANGE COUNTY	40,295,246
TOTAL	\$ 5,015,981,195

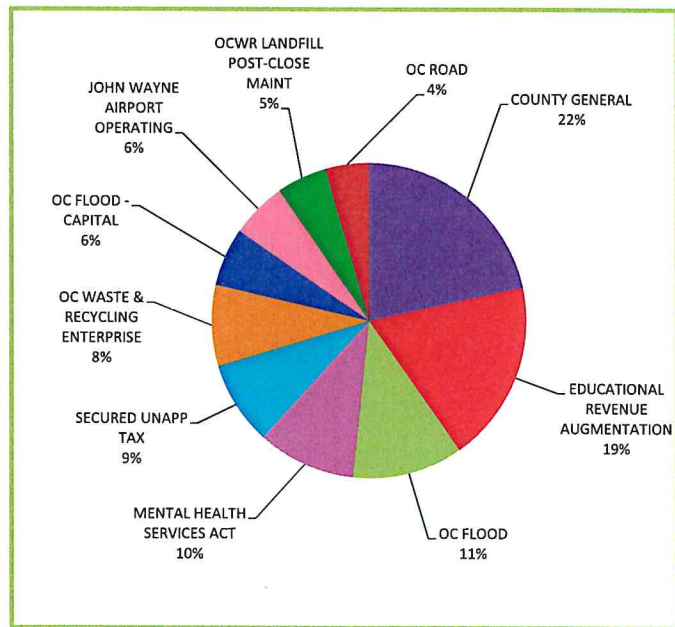


**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF DECEMBER 31**



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

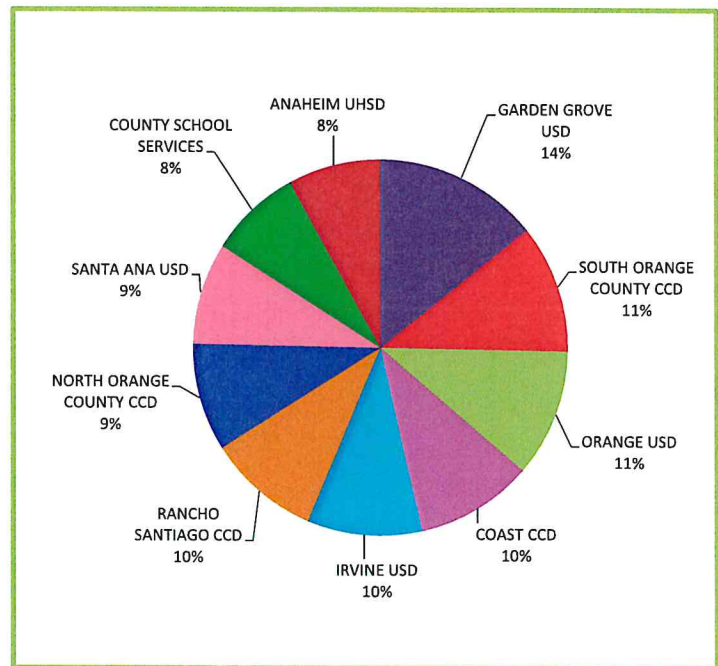
FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 535,706,586
664	EDUCATIONAL REVENUE AUGMENTATION	463,950,146
400	OC FLOOD	283,543,012
13Y	MENTAL HEALTH SERVICES ACT	249,010,777
673	SECURED UNAPP TAX	213,135,782
299	OC WASTE & RECYCLING ENTERPRISE	206,063,061
404	OC FLOOD - CAPITAL	149,035,274
280	JOHN WAYNE AIRPORT OPERATING	144,158,672
279	OCWR LANDFILL POST-CLOSE MAINT	128,436,463
115	OC ROAD	109,410,525
TOTAL		\$ 2,482,450,298



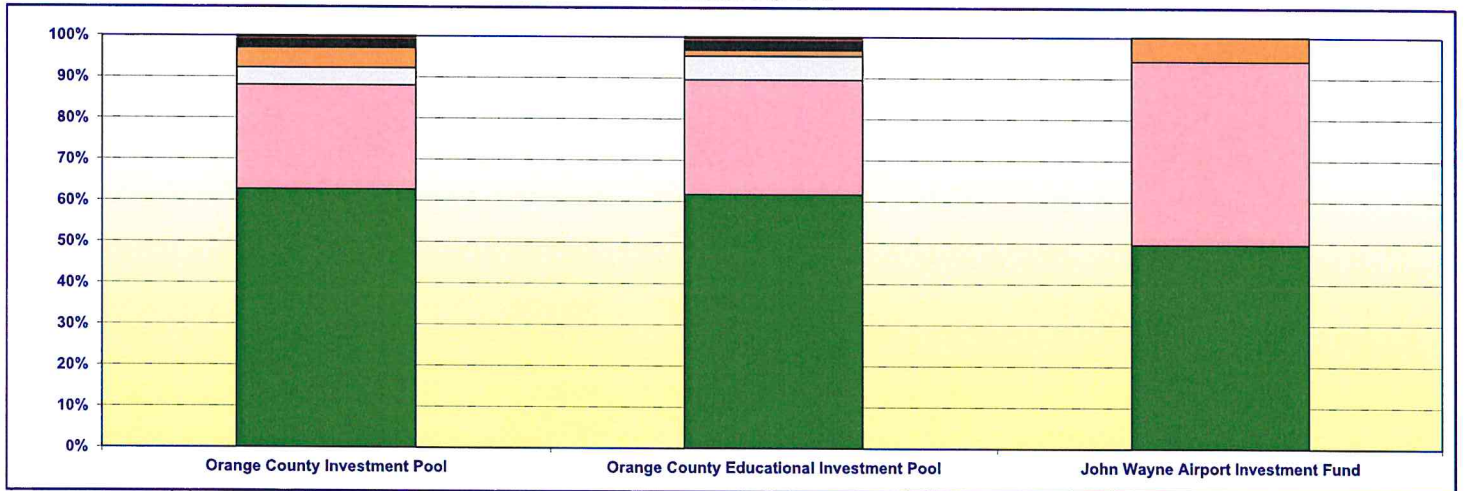
**ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF DECEMBER 31, 2018**

DISTRICT #	SCHOOL DISTRICT	BALANCE ⁽¹⁾
72	GARDEN GROVE USD	\$ 474,139,537 (1)
96	SOUTH ORANGE COUNTY CCD	367,280,029 (1)
80	ORANGE USD	366,650,022 (1)
90	COAST CCD	337,478,097 (1)
75	IRVINE USD	328,924,231 (1)
92	RANCHO SANTIAGO CCD	323,860,740 (1)
88	NORTH ORANGE COUNTY CCD	308,838,388 (1)
84	SANTA ANA USD	291,122,644 (1)
94	COUNTY SCHOOL SERVICES	266,845,192 (1)
64	ANAHEIM UHSD	264,537,803 (1)
TOTAL		<u>\$ 3,329,676,683</u>

(1) BALANCES INCLUDE GENERAL OBLIGATION BOND PROCEEDS



ORANGE COUNTY TREASURER - TAX COLLECTOR
BY INVESTMENT TYPE AT MARKET VALUE - By Percentage Holdings
December 31, 2018

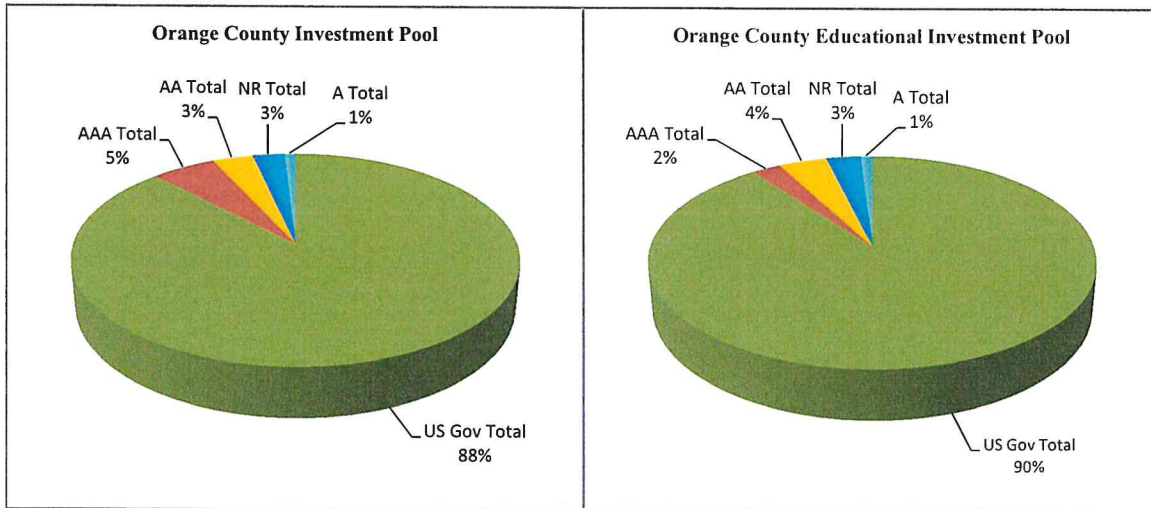


Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 3,139,409		62.68%
U. S. TREASURIES	1,265,659		25.27%
MONEY MARKET MUTUAL FUNDS	240,676		4.81%
MEDIUM-TERM NOTES	211,118		4.22%
MUNICIPAL DEBT	108,862		2.16%
LOCAL AGENCY INVESTMENT FUND	24,374		0.49%
CERTIFICATES OF DEPOSIT	18,311		0.37%
	<u>\$ 5,008,409</u>		<u>100.00%</u>

Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 3,312,706		61.68%
U. S. TREASURIES	1,495,813		27.85%
MONEY MARKET MUTUAL FUNDS	78,467		1.46%
MEDIUM-TERM NOTES	305,079		5.68%
MUNICIPAL DEBT	128,336		2.39%
LOCAL AGENCY INVESTMENT FUND	28,734		0.54%
CERTIFICATES OF DEPOSIT	21,586		0.40%
	<u>\$ 5,370,721</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 25,617		49.65%
U. S. TREASURIES	22,953		44.49%
MONEY MARKET MUTUAL FUNDS	3,025		5.86%
	<u>\$ 51,595</u>		<u>100.00%</u>

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



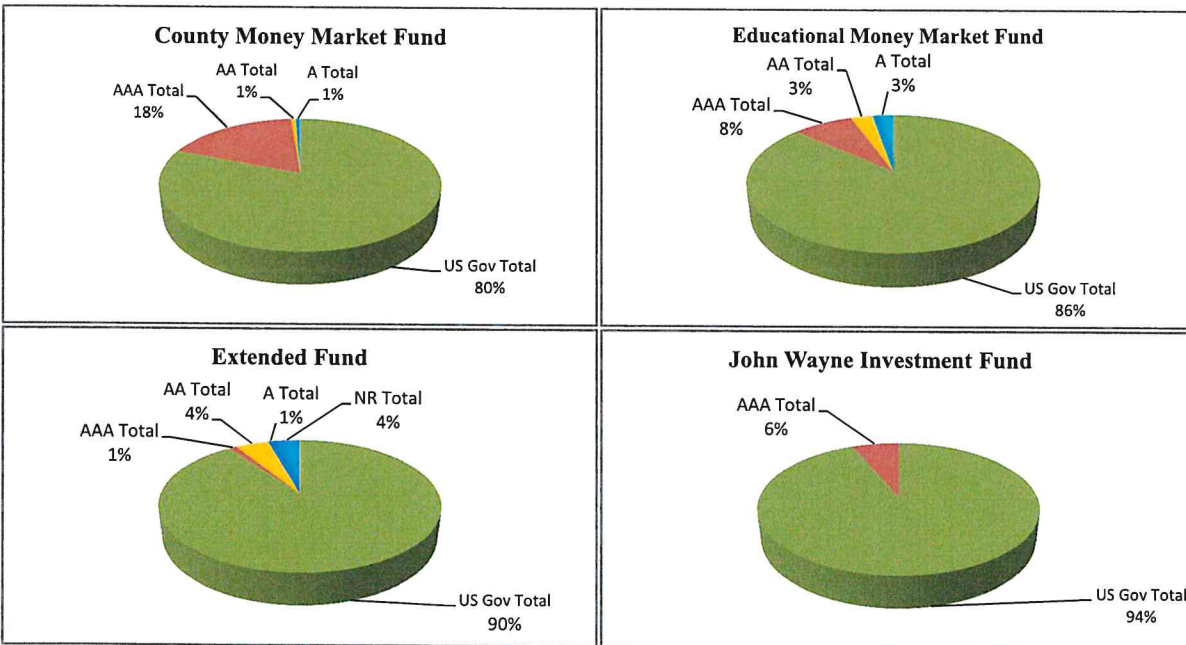
US GOV Includes Agency & Treasury Debt

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
 December 31, 2018



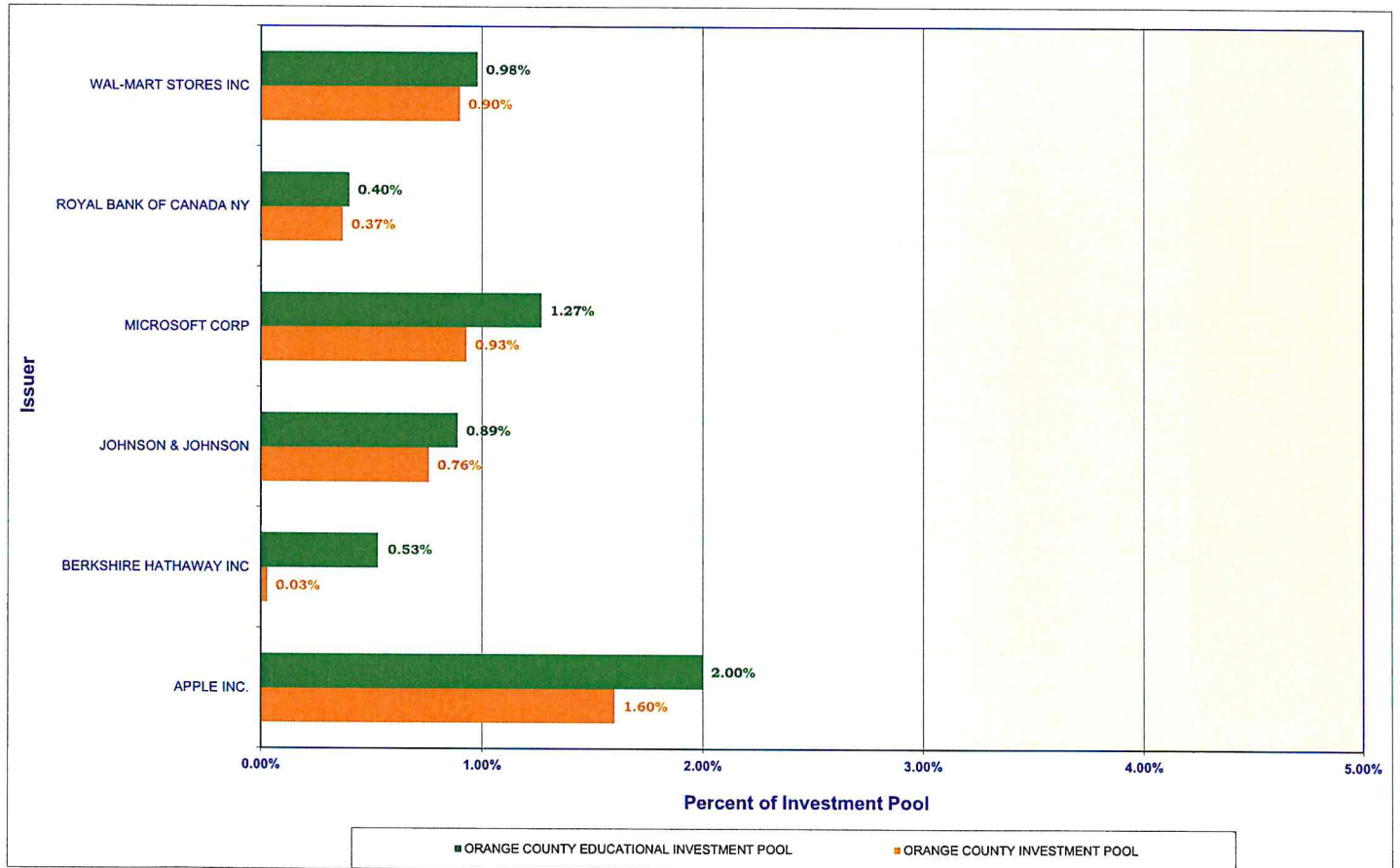
US GOV Includes Agency & Treasury Debt

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
 December 31, 2018



ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA
December 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-	A2	AA
TORONTO DOMINION BANK NY (MARCH, 2017) ***	A-1+	P-1	F1+	AA-	Aa3	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
ORANGE CNTY CA PENSION OBLG 2019 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.

** Moody's downgraded its L/T issuer credit rating from Aa2 to A2 on September 24, 2018 and kept the issuer rating Outlook on Stable. S&P changed its outlook from Negative to Stable on June 27, 2018.

*** Moody's downgraded its L/T issuer credit rating from Aa1 to Aa3 on September 24, 2018 and kept its issuer rating Outlook on Stable.

**** 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.

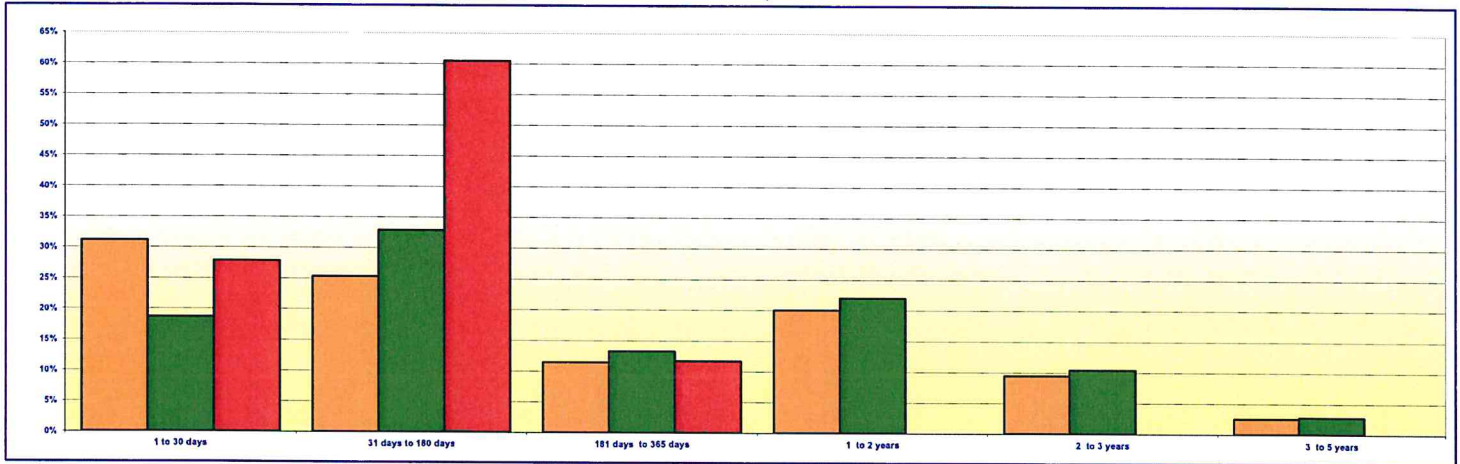
**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended December 31, 2018**

During December, there were no changes to the Treasurer's Approved Issuer List.

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**

December 31, 2018



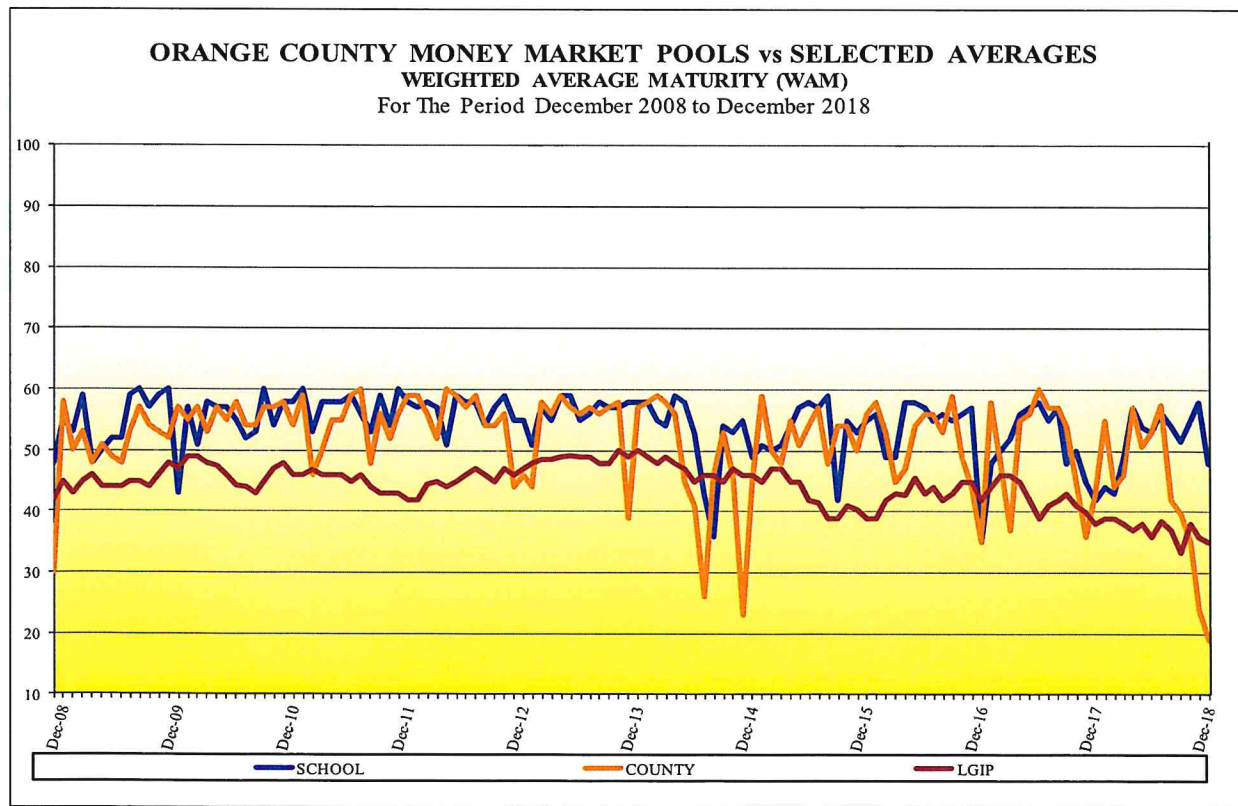
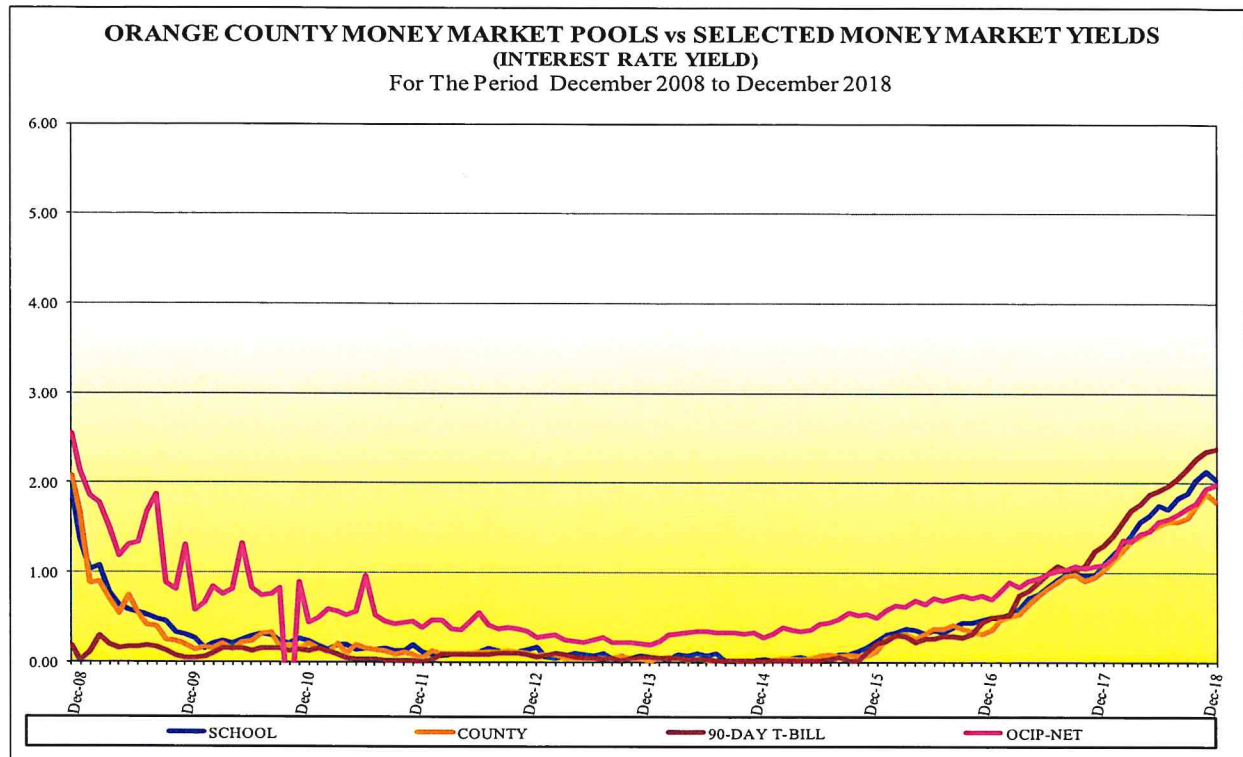
ORANGE COUNTY INVESTMENT POOL			
	In Thousands ⁽¹⁾⁽²⁾		%
1 TO 30 DAYS	\$	1,566,641	31.19%
31 TO 180 DAYS		1,272,977	25.34%
181 TO 365 DAYS		575,713	11.46%
1 YEAR TO 2 YEARS		1,006,066	20.03%
2 YEARS TO 3 YEARS		475,434	9.46%
3 YEARS TO 5 YEARS		126,696	2.52%
TOTAL	\$	5,023,527	100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL			
	In Thousands ⁽¹⁾⁽²⁾		%
1 TO 30 DAYS	\$	1,004,719	18.65%
31 TO 180 DAYS		1,771,906	32.88%
181 TO 365 DAYS		716,153	13.29%
1 YEAR TO 2 YEARS		1,186,028	22.01%
2 YEARS TO 3 YEARS		560,478	10.40%
3 YEARS TO 5 YEARS		149,359	2.77%
TOTAL	\$	5,388,643	100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND			
	In Thousands ⁽¹⁾⁽²⁾		%
1 TO 30 DAYS	\$	14,420	27.86%
31 TO 180 DAYS		31,300	60.46%
181 TO 365 DAYS		6,045	11.68%
TOTAL	\$	51,765	100.00%

(1) Maturity limits are calculated using face value.

(2) Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 12/31/2018, Floating Rate Notes comprise 0.70%, 0.77%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•For the Month Ended December 31, 2018, S&P LGIP – 2.24; S&P LGIP WAM – 35; 90-Day T-Bill – 2.39; OCIP – Net – 1.94

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL YIELDS
January 1, 2018 - December 31, 2018

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month December 2018</i>				
OCMMF	\$ 1,321,837,296	\$ 2,309,322	1.86%	19
OCEMMF	\$ 1,024,704,481	\$ 1,562,262	2.11%	48
Extended Fund	\$ 8,032,587,705	\$ 13,770,790	2.07%	367
<i>November 2018</i>				
OCMMF	\$ 1,359,045,595	\$ 1,894,822	1.95%	24
OCEMMF	\$ 947,430,723	\$ 1,566,598	2.20%	58
Extended Fund	\$ 6,985,523,091	\$ 11,064,795	1.99%	430
<i>October 2018</i>				
OCMMF	\$ 1,261,626,895	\$ 1,497,056	1.81%	35
OCEMMF	\$ 806,665,529	\$ 1,627,455	2.11%	55
Extended Fund	\$ 6,608,660,258	\$ 10,301,655	1.82%	444
OC Extended Fund B	\$ -	\$ 87	N/A	N/A
<i>September 2018</i>				
OCMMF	\$ 623,483,218	\$ 825,257	1.68%	40
OCEMMF	\$ 964,913,807	\$ 1,694,095	1.95%	51
Extended Fund	\$ 6,595,008,880	\$ 9,646,462	1.77%	420
OC Extended Fund B	\$ -	\$ 174,919	N/A	N/A
<i>August 2018</i>				
OCMMF	\$ 659,580,340	\$ 768,838	1.64%	42
OCEMMF	\$ 1,135,219,335	\$ 2,041,031	1.90%	54
Extended Fund	\$ 6,595,429,549	\$ 9,597,798	1.69%	414
<i>July 2018</i>				
OCMMF	\$ 519,462,662	\$ 949,885	1.64%	58
OCEMMF	\$ 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>				
OCMMF	\$ 763,523,217	\$ 1,395,560	1.60%	53
OCEMMF	\$ 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>				
OCMMF	\$ 1,271,767,146	\$ 1,895,963	1.54%	51
OCEMMF	\$ 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>				
OCMMF	\$ 1,677,026,990	\$ 2,621,771	1.47%	57
OCEMMF	\$ 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>				
OCMMF	\$ 1,466,459,327	\$ 1,551,676	1.41%	46
OCEMMF	\$ 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>				
OCMMF	\$ 1,396,683,700	\$ 1,284,889	1.32%	44
OCEMMF	\$ 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>				
OCMMF	\$ 1,245,291,533	\$ 1,659,517	1.21%	55
OCEMMF	\$ 1,594,050,298	\$ 2,213,711	1.28%	44
Extended Fund	\$ 6,595,804,419	\$ 6,473,087	1.24%	423
Fiscal Year July 1, 2018 - June 30, 2019	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
OCIP	\$ 4,263,666,466	\$ 39,253,633	1.83%	335
OCEIP	\$ 4,655,651,908	\$ 43,594,310	1.85%	336
OC Extended Fund B	\$ -	\$ 175,006	N/A	N/A

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING JUNE 30, 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 June 30, 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
December 2018 - Ending Cash				\$ 3,019,934
January	\$ 1,609,230,964	\$ 452,598,369	\$ 1,376,156,586	688,692,681
February	284,743,624	484,575,148	285,082,937	1,172,928,516
March	243,466,742	734,537,104	637,743,238	1,513,189,124
April	499,394,527	2,272,809,283	1,852,325,228	2,433,067,706
May	181,218,924	361,059,217	815,312,941	2,160,032,906
June	34,435,303	373,504,732	719,338,969	1,848,633,972

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
December 2018 - Ending Cash				\$ 159,449
January	\$ 1,120,932,213	\$ 695,307,308	\$ 953,133,323	863,265,647
February	529,151,922	276,125,850	669,859,971	998,683,448
March	240,263,411	535,053,767	717,707,481	1,056,293,145
April	578,669,181	1,071,637,286	735,278,479	1,971,321,133
May	257,506,606	383,682,748	715,333,708	1,897,176,779
June	57,963,765	621,840,085	665,332,626	1,911,648,003

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

	<u>Month</u>	<u>Quarter</u>
Treasurer's Accountability at the Beginning of the Period:	\$ 9,471,753,829	\$ 8,501,306,376
Cash Receipts:		
County	2,138,465,543	4,902,739,223
School and Community College Districts	1,415,288,888	2,783,390,490
Total Cash Receipts	3,553,754,431	7,686,129,713
Cash Disbursements:		
County	2,030,212,021	3,728,420,586
School and Community College Districts	469,588,890	1,941,510,006
Total Cash Disbursements	2,499,800,911	5,669,930,592
Net Change in Cost Value of Pooled Assets	1,053,953,520	2,016,199,121
Net Increase in Non-Pooled Investments	89,759	328,670
Net (Decrease) Increase in Non-Pooled Cash	(4,387,747)	3,575,194
Treasurer's Accountability at the End of the Period:	\$ 10,521,409,361	\$10,521,409,361
Assets in the Treasury at the End of the Period (at Cost Value):		
Pooled Investments:		
Orange County Investment Pool		\$ 5,012,961,261
Orange County Educational Investment Pool		5,376,903,140
Total Pooled Investments		10,389,864,401
Non-Pooled Investments:		
Non-Pooled Investments - John Wayne Airport		51,512,155
Non-Pooled Investments - Fountain Valley School District Fund 40		34,790,770
Non-Pooled Investments - CCCD Series 2017E Bonds		20,478,191
Total Non-Pooled Investments		106,781,116
Cash and Cash Equivalent:		
Cash in banks - County		2,972,857
Cash in banks - Schools		159,449
Cash in banks - OC Sheriff		13,245,257
Cash in banks - John Wayne Airport		8,339,204
Cash - Other		47,077
Total Cash		24,763,844
Total Assets in the Treasury at the End of the Period:		\$ 10,521,409,361

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
December 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	\$ 213,715,375	16.17%	\$ 2,292,056,211	28.53%	\$ 255,699,761	24.95%	\$ 22,953,146	44.49%
100%	U.S. Government Agency Securities	863,338,421	65.31%	4,959,279,678	61.74%	629,497,413	61.43%	25,617,052	49.65%
30%	Municipal Debt	-	0.00%	237,197,860	2.95%	-	0.00%	-	0.00%
30%	Medium-Term Notes	4,107,828	0.31%	451,048,913	5.62%	61,040,063	5.96%	-	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%	39,897,120	0.50%	-	0.00%	-	0.00%
\$65MM	Local Agency Investment Fund (LAIF)	-	0.00%	53,107,923	0.66%	-	0.00%	-	0.00%
20%	Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%	-	0.00%
20%	Money Market Mutual Funds	240,675,672	18.21%	-	0.00%	78,467,244	7.66%	3,025,215	5.86%
20%	Investment Pools	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
		\$ 1,321,837,296	100.00%	\$ 8,032,587,705	100.00%	\$ 1,024,704,481	100.00%	\$ 51,595,413	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	Yes ⁽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	Yes/19.36	N/A	Yes/48.39	N/A
>Merrill 1-3 Year Index+25% (2.32)	Weighted Average Maturity - JWA Investment Fund	N/A	N/A	N/A	Yes/85.65
13 Months/397 days	Duration ⁽⁵⁾	N/A	Yes/0.99	N/A	N/A
15 Months/458 days	Final Maturity - Money Market Fund	Yes/269	N/A	Yes/297	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	Yes/297
	Final Maturity - Extended Fund	N/A	Yes/1348	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 ⁽³⁾	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	1.0002	N/A	Yes/1.0001	Yes/1.0000

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

(2) Excludes US Government Debt per 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 (0.99) 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.

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
December 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 Statement of Assets Review	AC	Performance Evaluation-Cal Govt. Code 26920(a)	September 30, 2018 in progress.
Annual Statement of Assets Audit	AC	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2017 completed.
Quarterly Compliance Monitoring	TOC	TOC Directive	September 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 December 31, 2018.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made no changes at the November 19, 2018 meeting. No BOS approval required.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the November 19, 2018 meeting and did not make any additional changes. The BOS approved on December 18, 2018.
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 2019
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for calendar year 2018.
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 December 31, 2018**

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

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

Honorable Don Barnes, Sheriff-Coroner
Honorable Hugh Nguyen, Clerk-Recorder
Honorable Claude Parrish, Assessor
Honorable Todd Spitzer, District Attorney/Public Administrator
Honorable Eric Woolery, Auditor-Controller

Treasury Oversight Committee

Gary Capata
Alisa Cutchen
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)



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Approval of Local Transportation Fund Fiscal Year 2019-20
Apportionment Estimates

Overview

The Orange County Transportation Authority, as the transportation planning agency and county transportation commission for Orange County, is responsible for developing estimates used in apportioning revenues earned and deposited in the Orange County Local Transportation Fund. Transportation Development Act regulations require that the apportionments for fiscal year 2019-20 be determined and prospective claimants be advised of the amounts.

Recommendation

Approve the Local Transportation Fund fiscal year 2019-20 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.

Background

The Transportation Development Act of 1971 established a funding source dedicated to transit and non-transit-related projects. The funding source consists of two parts: the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF). The LTF is derived from a 1/4 cent general sales tax collected statewide. LTF revenues are collected by the California Department of Tax and Fee Administration and returned monthly to the local jurisdictions based on the volume of sales during each month. The STAF is generated from the sales tax on diesel and funded through the Public Transportation Account. STAF revenues are continuously appropriated to local agencies by formula on a quarterly basis.

Discussion

The estimate of LTF revenues for fiscal year (FY) 2019-20 has been calculated by the Orange County Auditor Controller at \$180,220,936. The forecast was based on FY 2018-19 estimated actuals and increased based on a 2.1 percent growth rate for FY 2019-20.

The FY 2019-20 apportionment is summarized in the following table:

LTF Revenues	
Estimated Fiscal Year 2019-20 Sales and Use Tax Receipts	\$180,220,936.00
Article 3 payments:	
Orange County Auditor-Controller – Administration	\$ 2,938.64
Orange County Transportation Authority – County Transportation Commission Administration	147,412.00
Orange County Transportation Authority – County Transportation Commission Planning	4,054,971.06
Southern California Association of Governments – regional planning	1,351,657.02
Sub-total - Article 3 funding	\$ 5,556,978.72
Articles 4 and 4.5 payments:	
Orange County Transit District - Consolidated Transportation Service Agency Funding - Article 4.5	\$ 8,733,197.86
Orange County Transit District – Public Transit Funding – Article 4	164,730,027.85
Laguna Beach Municipal Transit Lines – Public Transit Funding – Article 4	1,200,731.57
Sub-total - Articles 4 and 4.5 funding	\$ 174,663,957.28
Total funds apportioned	\$ 180,220,936.00

Summary

Staff recommends approval of the Local Transportation Fund fiscal year 2019-20 apportionment estimates. Staff also recommends authorizing the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for fiscal year 2019-20.

Attachment

None.

Prepared by:

A handwritten signature in dark ink, appearing to read "Supriya/Kaur".

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

Approved by:

A handwritten signature in dark ink, appearing to read "Aaftel".

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



February 13, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Adopt the 2019 Investment Policy

Overview

The 2019 Investment Policy sets forth the investment guidelines for funds invested by the Orange County Transportation Authority. Changes are recommended to the 2019 Investment Policy to better align the guidelines with current market conditions for the upcoming investment of Measure M2 bond proceeds.

Recommendation

Adopt the 2019 Investment Policy.

Background

The Investment Policy (Policy) sets forth the guidelines for Orange County Transportation Authority (OCTA) investments that must conform to the California Government Code. The main objectives of the Policy continue to be the preservation of capital, liquidity, diversification, and a market average rate of return through economic cycles. The Policy is reviewed and approved by the Board of Directors (Board) at least annually, with the 2018 Policy having been approved by the Board on June 11, 2018.

On January 28, 2019, the OCTA Board approved the issuance of \$400 million in Measure M2 (M2) sales tax bonds to support the Interstate 405 Improvement Project. The bond issuance is anticipated to close on or around February 26, 2019. A firm will be selected to invest the bond proceeds and release portions of the proceeds to OCTA on a monthly-basis over a two-year period based on a schedule provided by OCTA. OCTA will be guaranteed a fixed rate of return on the invested proceeds over the two-year period based on the scheduled draw down of funds.

Discussion

Staff is recommending three changes to the Policy to better reflect current market conditions for the investment of the M2 bond proceeds. The primary changes can be found in “Section X. Investment Agreements – Bond Proceeds” of the Policy. The first change is to remove the requirement that the only agencies that can rate credit obligations of firms interested in investing OCTA bond proceeds are Moody’s and Standard & Poors (S&P). Staff recommends allowing four credit rating agencies to be eligible to rate the credit obligations of firms that may be interested in investing OCTA bond proceeds. The rating agencies would be Moody’s, S&P, Fitch Ratings (Fitch), and Kroll Bond Rating Agency, Inc. (KBRA). OCTA requires two agencies to rate a firm’s credit obligations in order to be permitted to enter into an investment agreement for bond proceeds. This change would allow firms that have credit obligations rated by Fitch and KBRA to be eligible in the event their credit obligations may not have a rating from Moody’s or S&P.

The second change would be to add KBRA to the Policy as a nationally recognized statistical rating organization (NRSRO). OCTA’s current Policy includes a definition of NRSROs which includes Moody’s, S&P, and Fitch, but does not include KBRA. Having KBRA as an eligible rating agency will be valuable as the agency continues to grow and rate more credit obligations.

The third change is to lower the rating requirement for credit obligations for insurance companies or corporations interested in investing OCTA bond proceeds. The current Policy requires a credit obligation rating of “AAA” or equivalent. Staff recommends lowering this requirement to a credit rating category of “AA” or equivalent. This change primarily impacts insurance companies that may be interested in bidding on investment agreements for OCTA’s bond proceeds. Currently, most large insurance firms are rated in the “A” and “AA” ratings categories, with none rated in the “AAA” category. This change enables “AA” rated insurance companies, which still maintain strong credit ratings, to be eligible to bid on investment agreements and will enable more competition from non-bank firms.

Summary

Staff recommends adoption of the 2019 Investment Policy to better align the guidelines with current market conditions for the upcoming investment of Measure M2 bond proceeds. In addition, staff is working with its investment managers on additional revisions that will be presented as changes to the 2019 Investment Policy, which is anticipated to come to the Board of Directors in June 2019.

Attachments

- A. Orange County Transportation Authority 2019 Investment Policy February 25, 2019
- B. Black-line Copy of Orange County Transportation Authority 2019 Investment Policy February 25, 2019

Prepared by:



Sean Murdock
Director,
Finance and administration
(714) 560-5685

Approved by:



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

Orange County Transportation Authority
2019 Investment Policy
February 25, 2019

I. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after February 25, 2019. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Investment Policy. The OCTA Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
2. **Liquidity** -- Liquidity is the second most important objective of the OCTA. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
3. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
4. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Investment Policy.

If OCTA's Treasurer, in his/her sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Finance and Administration Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations. OCTA may terminate services for its convenience any time by providing at least 30 days written notice.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his/her authority as he/she determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Investment Policy, for the operation of OCTA's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Investment Policy and ensuring investments are made in compliance with this Investment Policy. This Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3 year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. INVESTMENT AGREEMENTS – BOND PROCEEDS

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs, or
- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated in a category of AA or better, or equivalent rating by two NRSROs, or
- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs and rated in a category of A-1 or equivalent in the short-term rating category from two NRSROs; provided that if such broker/dealer or bank is rated in a category of A or equivalent also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:
 1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
 2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
 3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

- B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

XI. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Investment Policy.

3) Federal Instrumentality Securities (Government Sponsored Enterprises)

Debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)

4) Federal Agencies

Mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States (EXIMBANK)
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

5) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose debt is rated at least A-1 or better by two of the three NRSROs for short-term obligations, or A or the equivalent for long-term debt.

OCTA may also purchase defeased state and local obligations as long as the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

6) Bankers Acceptances

Bankers acceptances which:

- A. are eligible for purchase by the Federal Reserve System, and
- B. are rated by at least two of the NRSROs with at least A-1 or the equivalent for short-term deposits, and
- C. may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

7) Commercial Paper

Commercial Paper must :

- A. be rated at least A-1 or the equivalent by two of the three NRSRO's, and
- B. be issued by corporations rated at least A- or the equivalent rating by a NRSRO for issuer's debt, other than commercial paper, and
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. not represent more than 10 percent of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

8) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the NRSRO's with at least A-1 or the equivalent for short-term deposits.

Maximum Term: 270 days

9) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund

10) Medium Term Maturity Corporate Securities

Corporate securities which:

- A. are rated A- or better by two of the three NRSRO's, and
- B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, and
- C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5 percent of the portfolio.

Maximum Term: Five (5) years. (Code)

11) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

- A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and
- B. may not represent more than 10 percent of the money market fund's assets.

12) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

- A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and
- B. may not represent more than 10 percent of the fund's or pool's assets.

13) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

- A. is rated AAA or equivalent (excluding US Government/Agency/Instrumentality backed structured product which will be permitted with their prevailing ratings even if those ratings are below AAA) by a NRSRO, or be rated at least A-1 or the equivalent by two of the three NRSRO's for money-market asset-backed securities, and
- B. is issued by an issuer having at least an A or equivalent rating by a NRSRO for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

16) California Asset Management Program (CAMP)

CAMP is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. CAMP investments must be rated AA or better by two of the three NRSRO's.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor’s and a minimum short-term rating of P-1 by Moody’s. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS).....	100%
3) Federal Instrumentality Securities.....	100%
4) Federal Agencies	100%
5) State of California and Local Agencies	25%
6) Bankers Acceptances	30% (Code 40%)

7) Commercial Paper	25% (Code)
8) Negotiable CDs	30% (Code)
9) Repurchase Agreements	75%
10) Medium Term Maturity Corporate Securities	30% (Code)
11) Money Market Funds and 12) Other Mutual Funds (in total).....	20% (Code)
13) Mortgage and Asset-backed Securities	20% (Code)
14) LAIF	\$40mm maximum per entity
15) OCIP	\$40mm maximum per entity
16) CAMP	10%
17) Variable and Floating Rate Securities	30%
18) Bank Deposits	5%
19) Derivatives (hedging transactions only) and subject to prior approval	5%
20) Investment Agreements pursuant to indenture.....	100%

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Federal Instrumentalities and Repurchase Agreements

Any one Federal Agency or Federal Instrumentalities 35%
Any one repurchase agreement counter-party name

If maturity/term is ≤ 7 days 50%
If maturity/term is > 7 days 35%

Issuer/Counter-Party Diversification Guidelines For OCTA's Debt

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

XII SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XIII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Investment Policy.

XIV. INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed annually by the Finance and Administration Committee of the OCTA Board of Directors to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends.

XV. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as X.YZ%, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 3,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by where the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result in changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc., Fitch Ratings and Kroll Bond Rating Agency, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. FEDERAL INSTRUMENTALITIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Orange County Transportation Authority

201~~98~~ Investment Policy

February~~June~~ 25~~11~~, 201~~98~~

I. PURPOSE

This Investment Policy sets forth the investment guidelines for all funds of the Orange County Transportation Authority (OCTA) invested on and after February 25, 2019~~June 11, 2018~~. The objective of this Investment Policy is to ensure OCTA's funds are prudently invested to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Investments may only be made as authorized by this Investment Policy. The OCTA Investment Policy conforms to the California Government Code (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to.

II. OBJECTIVES

1. **Safety of Principal** -- Safety of principal is the foremost objective of the OCTA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of the securities.
2. **Liquidity** -- Liquidity is the second most important objective of the OCTA. It is important that the portfolio contain investments for which there is an active secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
3. **Total Return** -- The OCTA's portfolio shall be designed to attain a market-average rate of return through economic cycles.
4. **Diversification** -- Finally, the OCTA shall diversify its portfolio(s) to avoid incurring unreasonable market risks.

III. COMPLIANCE

The OCTA has provided each of its portfolio managers with a copy of this Investment Policy as a part of their contract and expects its portfolio managers to invest each portfolio they manage for OCTA in accordance with the provisions of the Investment Policy. However, bond proceeds may be invested in approved short-term investments without regard to diversification limits. This may occur during the initial deposit of the bond proceeds portfolio, the final drawdown of the portfolio, or other times in between when appropriate due to drawdown requirements as requested by OCTA's Treasurer. When diversification limits are exceeded by a portfolio manager, the Treasurer will document the situation and report the circumstances to the Finance and Administration Committee monthly and include a write-up in the quarterly Debt and Investment report to the Board of Directors.

The OCTA Treasurer is responsible for verifying each portfolio manager's compliance as well as OCTA's entire portfolio's compliance with the provisions of the Investment Policy.

If OCTA's Treasurer, in his/her sole discretion, finds that a portfolio manager has made an investment that does not comply with the provisions of the Investment Policy, the Treasurer shall immediately notify the portfolio manager of the compliance violation. At that point, the portfolio manager is on probation for a period of one year. The second time a violation occurs while the portfolio manager is on probation, the Finance and Administration Committee shall review the error and may request that the portfolio manager responsible for the compliance violation meet with the Chair of the Finance and Administration Committee and the Treasurer as soon as practical at which time it will be decided whether the Board of Directors will be notified of the violation.

If OCTA's Treasurer finds that the portfolio manager has made a third investment while on probation that does not comply with the provisions of the Investment Policy, the Treasurer shall notify the Board of Directors of the compliance violations. OCTA may terminate services for its convenience any time by providing at least 30 days written notice.

IV. PRUDENCE

OCTA's Board of Directors or persons authorized to make investment decisions on behalf of OCTA are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. OCTA's investment professionals acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of OCTA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

V. DELEGATION OF AUTHORITY

Authority to manage OCTA's investment program is derived from an order of the Board of Directors. Management responsibility for the investment program is hereby delegated to OCTA's Treasurer pursuant to Section 53607 of the Code. On an annual basis, the Board of Directors is required to renew the authority of OCTA's Treasurer to invest or reinvest OCTA funds. The Treasurer is hereby authorized to delegate his/her authority as he/she determines to be appropriate. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate professionals.

The Treasurer shall develop administrative procedures and internal control, consistent with this Investment Policy, for the operation of OCTA's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of OCTA.

VI. ETHICS AND CONFLICTS OF INTEREST

OCTA's officers and employees involved in the investment process shall not participate in personal business activity that conflicts with the proper execution of OCTA's investment program, or which impairs their ability to make impartial investment decisions. OCTA's investment professionals and Treasury/Public Finance Department employees are not permitted to have any material financial interests in financial institutions that conduct business with OCTA, and they are not permitted to have any personal financial/investment holdings that have a material effect on the performance of OCTA's investments.

VII. RESPONSIBILITIES

The Finance and Administration Committee of the OCTA Board of Directors, subject to the approval of the OCTA Board of Directors, is responsible for establishing the Investment Policy and ensuring investments are made in compliance with this Investment Policy. This Investment Policy shall be reviewed annually by the Board of Directors at a public meeting.

The Treasurer is responsible for making investments and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities and shall make a quarterly report to the Board of Directors in accordance with Section 53646 (b) of the Code. Under Section 53646 (b) the Code states that the Treasurer may make a quarterly report to the Board of Directors. OCTA policy is to provide a monthly report to the Finance and Administration Committee and provide copies to the Board of Directors. In addition, the Treasurer will prepare a quarterly report to the Board of Directors.

The Treasurer is responsible for establishing a procedural manual for OCTA's investment program and for having an annual independent audit performed on OCTA's investments.

VIII. FINANCIAL BENCHMARKS

In order to establish a basis for evaluating investment results, the Authority uses four nationally recognized fixed income security performance benchmarks to evaluate return on investments. The ICE/BAML 1-3 year Treasury Index and the ICE/BAML 1-3 year AAA-A U.S. Corporate and Government Index benchmarks are used for OCTA's short-term portfolios, the ICE/BAML 1-5 year Treasury Index and the ICE/BAML 1-5 year AAA-A U.S. Corporate and Government Index benchmarks are used for the extended fund, while a customized performance benchmark may be used for the bond proceeds portfolios.

IX. BOND PROCEEDS INVESTMENTS

Bond proceeds from OCTA's capital project financing programs are to be invested in accordance with the provisions of their specific indenture and are further limited by the maturity and diversification guidelines of this Investment Policy. Debt service reserve funds of bond proceeds are to be invested in accordance with the maturity provision of their specific indenture.

X. INVESTMENT AGREEMENTS – BOND PROCEEDS

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if:

A. At the time of such investment,

- such bank has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs long-term Aa2 or better by Moody's and AA or better by Standard & Poor's, or
- such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated in a category of AA or better, or equivalent rating by two NRSROs long-term Aaa by Moody's and AAA by Standard & Poor's, or
- such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated in a category of AA or better, or equivalent rating by two NRSROs rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated in a category of A-1 or equivalent in the short-term rating category from two NRSROs short-term P-1 by Moody's and A-1 by Standard & Poor's); provided that if, that such broker/dealer or A2/A rated bank is rated in a category of A or equivalent also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:
 1. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and
 2. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
 3. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

- B. The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

XI. PERMITTED INVESTMENTS FOR NON-BOND PROCEEDS:

Maturity and Term

All investments, unless otherwise specified, are subject to a maximum stated term of five years. Maturity shall mean the stated final maturity or the mandatory redemption date of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date.

The Board of Directors must grant express written authority to make an investment or to establish an investment program of a longer term.

Eligible Instruments and Quality

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Investment Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three Nationally Recognized Statistical Rating Organizations (NRSROs), then the security will be handled under the provisions of Rating Downgrades.

1) OCTA Notes and Bonds

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

2) U.S. Treasuries

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and TIPS (Treasury Inflation Protected Securities) are permitted investments pursuant to the Investment Policy.

3) Federal Instrumentality Securities (Government Sponsored Enterprises)

Debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)

- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)

4) Federal Agencies

Mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States (EXIMBANK)
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

5) State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose debt is rated at least A-1 or better by two of the three NRSROs for short-term obligations, or A or the equivalent for long-term debt.

OCTA may also purchase defeased state and local obligations as long as the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

6) Bankers Acceptances

Bankers acceptances which:

- are eligible for purchase by the Federal Reserve System, and
- are rated by at least two of the NRSROs with at least A-1 or the equivalent for short-term deposits, and
- may not exceed the 5 percent limit on any one commercial bank.

Maximum Term: 180 days (Code)

7) Commercial Paper

Commercial Paper must :

- A. be rated at least A-1 or the equivalent by two of the three NRSRO's, and
- B. be issued by corporations rated at least A- or the equivalent rating by a NRSRO for issuer's debt, other than commercial paper, and
- C. be issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000), and
- D. not represent more than 10 percent of the outstanding paper of the issuing corporation.

Maximum Term: 180 days (Code 270 days)

8) Negotiable Certificates of Deposit

Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated by at least two of the NRSRO's with at least A-1 or the equivalent for short-term deposits.

Maximum Term: 270 days

9) Repurchase Agreements

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the Investment Policy with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

- A. a Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA; and
- B. the securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent "Agent" for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

- C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and
- D. the Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

Maximum Term: 30 days (Code 1 year)

Reverse repurchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund

10) Medium Term Maturity Corporate Securities

Corporate securities which:

- A. are rated A- or better by two of the three NRSRO's, and
- B. are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, and
- C. may not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can any one corporate issuer represent more than 5 percent of the portfolio.

Maximum Term: Five (5) years. (Code)

11) Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

- A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and
- B. may not represent more than 10 percent of the money market fund's assets.

12) Other Mutual Funds

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

- A. are rated AAA (or the equivalent highest ranking) by two of the three NRSRO's, and
- B. may not represent more than 10 percent of the fund's or pool's assets.

13) Mortgage or Asset-backed Securities

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

- A. is rated AAA or equivalent (excluding US Government/Agency/Instrumentality backed structured product which will be permitted with their prevailing ratings even if those ratings are below AAA) by a NRSRO, or be rated at least A-1 or the equivalent by two of the three NRSRO's for money-market asset-backed securities, and
- B. is issued by an issuer having at least an A or equivalent rating by a NRSRO for its long-term debt.

Maximum Term: Five year stated final maturity. (Code)

Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

14) State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4.

15) Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and Extended Fund. The Money Market Fund is invested in cash equivalent securities. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

16) California Asset Management Program (CAMP)

CAMP is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. CAMP investments must be rated AA or better by two of the three NRSRO's.

17) Variable and Floating Rate Securities

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR (London Interbank Offered Rate), and must meet all minimum credit requirements previously detailed in the Investment Policy. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

18) Bank Deposits

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. The Treasurer shall draft and execute a contract describing provisions for bank deposits.

19) Derivatives

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. The Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by the Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

Rating Downgrades

OCTA may from time to time be invested in a security whose rating is down-graded below the quality criteria permitted by this Investment Policy.

Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade shall be immediately reviewed by the Treasurer for action, and notification shall be made to the Board of Directors in writing as soon as practical and/or included in the monthly Orange County Transportation Authority Investment and Debt Programs report. The decision to retain the security until maturity, sell (or put) the security, or other action shall be approved by the Treasurer.

Diversification Guidelines

Diversification limits ensure the portfolio is not unduly concentrated in the securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

<u>Instruments</u>	<u>At All Times Maximum % Portfolio</u>
1) OCTA Note and Bonds	25%
2) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS).....	100%
3) Federal Instrumentality Securities.....	100%
4) Federal Agencies	100%
5) State of California and Local Agencies	25%
6) Bankers Acceptances	30% (Code 40%)

7) Commercial Paper	25% (Code)
8) Negotiable CDs	30% (Code)
9) Repurchase Agreements	75%
10) Medium Term Maturity Corporate Securities	30% (Code)
11) Money Market Funds and 12) Other Mutual Funds (in total).....	20% (Code)
13) Mortgage and Asset-backed Securities	20% (Code)
14) LAIF	\$40mm maximum per entity
15) OCIP	\$40mm maximum per entity
16) CAMP	10%
17) Variable and Floating Rate Securities	30%
18) Bank Deposits	5%
19) Derivatives (hedging transactions only) and subject to prior approval	5%
20) Investment Agreements pursuant to indenture.....	100%

Outside portfolio managers must review the portfolios they manage to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt

Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities. 5%

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Federal Instrumentalities and Repurchase Agreements

Any one Federal Agency or Federal Instrumentalities 35%
Any one repurchase agreement counter-party name

If maturity/term is ≤ 7 days 50%
If maturity/term is > 7 days 35%

Issuer/Counter-Party Diversification Guidelines For OCTA's Debt

The Authority can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

XII SECURITIES SAFE KEEPING

All security transactions, including collateral for repurchase agreements, entered into by OCTA shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third party custodian designated by the Treasurer, evidenced by safe keeping receipts and in compliance with Code Section 53608.

XIII. BROKER DEALERS

The Treasurer, and investment professionals authorized by the Treasurer, may buy securities from a list of broker dealers and financial institutions that will be periodically reviewed.

Outside portfolio managers must certify that they will purchase securities from broker/dealers (other than themselves) or financial institutions in compliance with this Investment Policy.

XIV. INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed annually by the Finance and Administration Committee of the OCTA Board of Directors to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends.

XV. DEFINITION OF TERMS

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

AGENCY SECURITIES: (See U.S. Government Agency Securities)

ASK PRICE: (Offer Price) The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized or backed by receivables such as automobile loans and credit card receivables. The assets are transferred or sold by the company to a Special Purpose Vehicle and held in trust. The SPV or trust will issue debt collateralized by the receivables.

BANKERS ACCEPTANCES (BAs): Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

BASIS POINT: When a yield is expressed as X.YZ%, the YZ digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains an electronic record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment.

CALLABLE BONDS: A bond issue which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a security.

CERTIFICATES OF DEPOSIT (NEGOTIABLE CDs): A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits in an Investment Agreement.

COMMERCIAL PAPER (CP): Unsecured promissory notes issued by companies and government entities usually at a discount. Commercial paper is negotiable, although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days.

COUPON: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as "interest rate."

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of assets in the name of the depositor.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE SECURITY: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principal designed to spread the risk in a portfolio by dividing investments by sector, maturity and quality rating.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size or book-value of that investment.

DURATION: A measure of the timing of cash flows, such as the interest payments and principal repayment, to be received from a given fixed-income security.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee within the Federal Reserve System that makes short-term monetary policy for the Fed. The committee decides either to sell securities to reduce the money supply, or to buy government securities to increase the money supply. Decisions made at FOMC meetings will cause interest rates to either rise or fall.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 3,000 member banks.

FITCH Ratings referred to as Fitch: (See Nationally Recognized Statistical Rating Organizations)

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTEREST RATE RISK: The risk associated with declines or rises in interest rates, which causes the market price of a fixed-income security to increase or decrease in value.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

MARK-TO-MARKET: The process by which the value of a security is adjusted to reflect current market conditions.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE: The current market price of a security.

MATURITY: The date that the principal or stated value of an investment becomes due and payable.

MEDIUM TERM MATURITY CORPORATE SECURITIES: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invests in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC. referred to as Moody's: (See Nationally Recognized Statistical Rating Organizations)

MORTGAGE-BACKED SECURITY: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSRO's): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc., ~~and~~ Fitch Ratings and Kroll Bond Rating Agency, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling the fund's assets which includes securities, cash and accrued earnings, then subtracting this from the fund's liabilities and dividing by the total number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NON-CALLABLE: Bond that is exempt from any kind of redemption for a stated time period.

OCTA BONDS: Bonds, notes, warrants, or other evidences of indebtedness.

OFFER PRICE: An indicated price at which market participants are willing to sell a security.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE: A preferred interest rate charged by commercial banks to their most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PURCHASE DATE: See (Trade Date)

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENTS (REPOS): A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date. This is in essence a collateralized investment, with the difference between the purchase price and sales price determining the earnings.

SAFEKEEPING: Holding of assets (e.g. securities) by a financial institution.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SPECIAL PURPOSE VEHICLE (SPV): A trust or similar structure created specifically to purchase securities and reprofile cash flows and/or credit risk. Mortgage or Asset-backed securities may be issued out of the SPV and secured by the collateral transferred from the corporation.

STANDARD & POOR'S CORPORATION referred to as Standard and Poor's or S & P: (See Nationally Recognized Statistical Rating Organizations)

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. GOVERNMENT AGENCY SECURITIES or FEDERAL AGENCIES AND U.S. FEDERAL INSTRUMENTALITIES: U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest bearing discount securities of the U.S. Treasury with maturities under one year.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

Treasury bond: interest-bearing obligations issued by the U.S. Treasury with maturities ranging from ten to thirty years from the date of issue.

Treasury STRIPS: U.S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book entry record-keeping system.

Treasury TIPS: U.S. Treasury securities whose principal increases at the same rate as the Consumer Price Index. The interest payment is then calculated from the inflated principal and repaid at maturity.

VARIABLE AND FLOATING RATE SECURITIES: Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities.

For the purposes of this Investment Policy, a Variable Rate Security, where the variable rate of interest is readjusted no less frequently than every 762 calendar days, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

VOLITILITY: The degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.

ZERO COUPON SECURITIES: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Consultant Selection for Real Property Management Services

Overview

On October 15, 2018, the Orange County Transportation Authority issued a request for proposals for consultant services to provide real property management services for Orange County Transportation Authority-owned properties. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to execute the agreement.

Recommendations

- A. Approve the selection of Cal Pacific Land Services, Inc., as the firm to provide real property management services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1853 between the Orange County Transportation Authority and Cal Pacific Land Services, Inc., as the firm to provide real property management services, in the amount of \$600,000, for a five-year term.

Discussion

The Orange County Transportation Authority (OCTA) Real Property Department staff manages OCTA-owned properties such as the Orange and Olive railroad right-of-way (ROW), the abandoned Pacific Electric railroad ROW (PEROW), multiple highway widening projects, and other OCTA-owned properties acquired in support of highway and transit projects.

There are approximately 1,000 licenses related to these properties that require regular monitoring for rent increases, proof of insurance documentation, and property inspections. There is also a continuous need to amend existing

licenses and to negotiate new license terms. In support of staff, these services are currently supplied by an existing ROW consultant under a contract task order which expires on March 31, 2019. Staff is recommending a separate real property management contract for these specialized services.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors-approved procedures for professional and technical services. Various factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar projects, approach to work plan, as well as cost and price.

On October 15, 2018, request for proposals (RFP) 8-1853 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on October 15 and 22, 2018. A pre-proposal conference took place on October 23, 2018, with 19 attendees representing 14 firms. Two addenda were issued to make available the pre-proposal conference presentation and registration sheets, and provide responses to questions received.

On November 13, 2018, five proposals were received. An evaluation committee consisting of staff from the Contracts Administration and Materials Management, Real Property, and Rail Programs departments met to review all submitted proposals. The proposals were evaluated based on the following evaluation criteria and weights:

- | | |
|-------------------------------------|------------|
| • Qualifications of the Firm | 20 percent |
| • Staffing and Project Organization | 30 percent |
| • Work Plan | 30 percent |
| • Cost and Price | 20 percent |

Several factors were considered in developing the criteria weights. High importance was given to staffing and project organization, as the key personnel are critical to the successful delivery of the project. Similarly, high importance was also given to the work plan criterion to emphasize the importance of the team's understanding of the project, its challenges, and its approach to completing the tasks outlined in the scope of work (SOW). Qualifications of the firm evaluates the firm's experience in performing work of a closely similar nature. Cost and price were weighted at 20 percent to ensure OCTA receives value for the work provided.

The evaluation committee reviewed and discussed all proposals based on the evaluation criteria and short-listed the two most qualified firms listed below in alphabetical order:

Firm and Location

Cal Pacific Land Services, Inc. (CPLS)
Garden Grove, California

Epic Land Solutions, Inc. (Epic)
Anaheim, California

On December 18, 2018, the evaluation committee interviewed the two short-listed firms. The interviews consisted of a presentation allowing each firm to present its qualifications, highlight its personnel, and respond to evaluation committee questions. In general, each team's presentation addressed the requirements of the RFP, highlighted the project team's experience in working on related projects, its staffing plans, its work plans, and stressed the firm's commitment to the success of the project. Each firm was asked general questions related to the potential challenges and risks of the project, along with the firm's experience with utility companies as tenants. In addition, each team was asked specific clarification questions related to the proposal. After considering the responses to the questions asked during the interview, the evaluation committee adjusted the preliminary scores for both firms; however, CPLS remained as the top-ranked firm with the highest cumulative score.

Based on the evaluation of written proposals and information obtained from the interviews, staff recommends CPLS as the firm to provide real property management services. This firm ranked highest among the proposing firms because of the team's relevant experience in performing real property management services for OCTA, as a subconsultant, and for other public agencies. CPLS' proposed team consists of highly-qualified key personnel with relevant experience in real property management for railroad projects. The firm demonstrated a clear understanding of the project requirements and presented a comprehensive work plan addressing key issues that are critical to the success of the project. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

CPLS has been providing property management services, with an emphasis on railroad ROW, acquisition and negotiation, title analysis, utilities coordination, and escrow coordination for public agencies since 2008. The firm has four employees and one office located in the City of Garden Grove. CPLS has experience providing a variety of real property management services that include tracking and reporting tenant revenue, Consumer Price Index (CPI) adjustments, collecting past due rent, preparing license agreements and

amendments to license agreements, corresponding with tenants, preparing tenant rental status reports, tracking insurance requirements, and maintaining ROW and inspecting property for various public agencies, including OCTA, the Port of Long Beach, and the Port of Los Angeles. The projects completed for these agencies have similar project requirements to the SOW for real property management services, such as tracking CPI adjustments, collecting rent, reviewing and updating insurance and indemnification requirements for tenants, negotiating new licenses, and various property maintenance tasks for real property. CPLS has worked with OCTA as a subconsultant to provide these services for the PEROW and Orange and Olive subdivisions railroad corridor. CPLS proposed to utilize one subconsultant to provide appraisal services, if necessary.

Epic was founded in 2000 and is a full-service ROW and real property firm. Epic has 57 employees and eight offices, which includes its office headquarters in Los Angeles and a local office in the City of Anaheim. The firm has provided property management services that include lease and license invoicing, market rent analysis, insurance compliance management, mapping, database management, site maintenance, utility and easement agreements, and excess land sales for the San Bernardino County Transportation Authority (SBCTA) and Riverside County Transportation Commission (RCTC). The firm has also worked with other public agencies, such as the Metropolitan Water District of Southern California and North County Transit District.

Staffing and Project Organization

CPLS proposed a project team that has relevant previous experience performing real property management activities similar to those required by the SOW. The proposed project manager (PM) has over 45 years of experience in all aspects of property management. The proposed in-house ROW agent has worked with OCTA in the past performing the duties required by the SOW, including originating and negotiating license agreements, license amendments, entry permits with tenants, tracking of rent and insurance, collection of past due rent, inspections of properties and ROW, database maintenance, and responding to communication from tenants and OCTA staff. The project team has worked together on several projects in the past for OCTA, the Port of Long Beach, and the Port of Los Angeles where similar services were provided. During the interview, the project team discussed its roles on the project and the tasks the team would be responsible for handling, as well as responding to the evaluation committee's questions regarding its staffing availability to meet OCTA's needs.

Epic proposed a project team with experience performing real property management services. The proposed PM has 11 years of experience providing property management services. The proposed in-house ROW agent has an overall experience of three years providing property management services similar to those required of the SOW for public agencies, such as SBCTA and

RCTC. Epic proposed to have key personnel dedicated to excess land sales; however, this is not a requirement of the SOW for this project. The project team members have experience working together on previous projects. During the interview, the project team introduced an additional key personnel that provided responses to many of the evaluation committee's questions rather than the personnel who are proposed for the day-to-day work.

Work Plan

CPLS presented a comprehensive work plan that addressed how the tasks of the SOW would be completed. The firm demonstrated understanding of the project by discussing how the team would determine fair market value (FMV), perform CPI adjustments, its methodology for appraising license areas, and proposed the creation of master utility agreements to reduce the amount of negotiations for each new utility agreement. The work plan emphasized the importance of communication with OCTA staff to allow for sufficient review of CPLS' recommendations for FMV rent adjustments, tenant insurance issues, and new tenant agreements before CPLS takes any course of action. The firm discussed its approach for its coordination efforts with OCTA's risk manager to review insurance and indemnification requirements. The firm also addressed the importance of representing OCTA in the highest professional standard when communicating with tenants, the general public, other agency staff, and OCTA staff to ensure that negotiations for FMV adjustments and new license agreements are productive. CPLS proposed several enhancements, such as utility master agreements and the utilization of 'Valuation Maps' which would ensure that current information related to the location and configuration of each parcel is easily accessible to staff. Additionally, during the interview, the firm detailed its approach to handling sensitive FMV adjustments by utilizing the team's experience in handling similar situations on previous projects.

Epic presented its approach to providing real property management services by discussing the various tasks that would be completed in its work plan. The firm discussed its understanding of the SOW by sequentially breaking down the work activities that would be completed during the period of performance and identified special issues and possible solutions. Epic discussed potential issues regarding loss of revenue through the use of outdated FMV rates, past due payments, and unrealized rental potential. The firm also identified potential issues with unexpected and costly property maintenance and security, and provided mitigation strategies for these issues. Epic presented an enhancement to the project that would upgrade OCTA's current database. During the interview, Epic highlighted its experience in negotiating and coordinating with utility companies, as the proposed project team has experience with utility tenants on previous projects. The work plan, in some detail, discussed items outside the SOW showing the team may not fully understand the role for this project.

Cost and Price

Pricing scores were based on a formula which assigns the highest score to the firm with the lowest weighted average hourly rate, and scores the other proposal's weighted average hourly rates based on its relation to the lowest weighted average hourly rate. CPLS' average hourly rate was competitive with the other proposing short-listed firm.

Procurement Summary

Based on the evaluation of the written proposals and information obtained during the interviews, the evaluation committee recommends the selection of CPLS as the firm to provide real property management services. CPLS demonstrated relevant experience and submitted a comprehensive proposal that was responsive to the requirements of the RFP. CPLS presented a detailed and thorough interview supporting the firm's experience, staffing, work plan, and a complete understanding of the overall project.

Fiscal Impact

The project is included in OCTA's Fiscal Year 2018-19 Budget, Capital Programs Division, accounts 0018-7514-D4803-DKM, 0018-7514-T1000-OJS, 1722-7514-D2601-ODK, and is funded with Measure M – CURE funds which now reside under General funds.

Summary

Staff requests Board of Directors' approval for the Chief Executive Officer to negotiate and execute Agreement No. C-8-1853 with Cal Pacific Land Services, Inc., as the firm to provide real property management services, in the amount of \$600,000, for a five-year term.

Attachments

- A. Review of Proposals, RFP 8-1853 Real Property Management Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed), RFP 8-1853 Real Property Management Services
- C. Contract History for the Past Two Years, RFP 8-1853 Real Property Management Services

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Review of Proposals

RFP 8-1853 Real Property Management Services

Presented to Finance and Administration Committee - February 13, 2019

5 proposals were received, 2 firms were interviewed, 1 firm is being recommended

Overall Ranking	Overall Score	Firm and Location	Subcontractors	Evaluation Committee Comments	Weighted Average Hourly
1	84	Cal Pacific Land Services, Inc. Garden Grove, California	Kiley Company	Experience in real property management services including: tracking and reporting tenant revenue, Consumer Price Index (CPI) adjustments, tenant correspondence, preparing various status reports, tracking insurance requirements, and right-of-way (ROW) maintenance and inspection. Proposed project manager has 45 years of property management experience. Proposed in-house ROW agent has experience working in the same capacity. Proposed project team have demonstrated experience working together on projects of similar size and scope. Demonstrated an understanding of the tasks required, as well as the various tenants along the Pacific Electric ROW and Orange and Olive subdivision railroad. Demonstrated a thorough understanding of determining fair market value and CPI adjustments. Presented an in-depth technical approach and provided detailed responses to questions during the interview.	\$92.49
2	79	Epic Land Solutions, Inc. Anaheim, California		Experience in real property management services including: leases and licenses, insurance compliance, mapping, database management, site maintenance, and utility agreements. Proposed project manager has 11 years of property management experience. Proposed in-house ROW agent has three years of property management experience. Demonstrated an understanding of the tasks required and addressed all aspects of the scope of work. Presented technical approach to completing the project.	\$90.69

Evaluation Panel: Five Members

Internal:

Contracts Administration and Materials Management (1)

Real Property (2)

Metrolink Expansion (1)

Rail Operations (1)

Evaluation Criteria

Qualifications of the Firm

Staffing and Project Organization

Work Plan

Cost and Price

Weight Factors

20 percent

30 percent

30 percent

20 percent

PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed)
RFP 8-1853 Real Property Management Services

Cal Pacific Land Services, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Criteria Score
Qualifications of Firm	4.5	4.5	4.5	4.0	4.0	4	17.2
Staffing/Project Organization	4.0	4.0	4.0	4.0	4.0	6	24.0
Work Plan	4.5	4.5	4.5	4.5	4.0	6	26.4
Cost and Price	4.1	4.1	4.1	4.1	4.1	4	16.4
Overall Score	85.4	85.4	85.4	83.4	80.4		84

Epic Land Solutions, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Criteria Score
Qualifications of Firm	4.5	4.5	4.5	4.5	4.5	4	18.0
Staffing/Project Organization	3.5	3.5	3.5	3.5	3.5	6	21.0
Work Plan	4.0	4.0	4.0	4.0	4.0	6	24.0
Cost and Price	4.1	4.1	4.1	4.1	4.1	4	16.4
Overall Score	79.4	79.4	79.4	79.4	79.4		79

The range of scores for the non-short-listed firms was 42-66.

CONTRACT HISTORY FOR THE PAST TWO YEARS

RFP 8-1853

Real Property Management Services

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Cal Pacific Land Services, Inc.						
Contract Type:		No contracts awarded				
Subtotal						\$ -

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Epic Land Solutions, Inc.						
Contract Type:		No contracts awarded				
Subtotal						\$ -



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Consultant Selection for the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project

Overview

On November 26, 2018, the Orange County Transportation Authority issued a request for proposals for consultant services to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. Board of Directors' approval is requested for the selection of a firm to perform the required work.

Recommendations

- A. Approve the selection of Parsons Transportation Group, Inc., as the firm to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.

Discussion

In June 2018, the Orange County Transportation Authority (OCTA) entered into an agreement with Kapsch TrafficCom USA, Inc. (Kapsch), to provide toll lane system integrator (TLSI) services for the design, installation, operations, and maintenance of the 91 Express Lanes Electronic Toll and Traffic Management (ETTM) System. The 91 Express Lanes ETTM System Project entails replacement of the current ETTM System, which has been in place since 2004 and upgraded in 2010, as well as the installation of additional toll reader

equipment at the three entrances to the Orange County segment of the 91 Express Lanes.

There are two existing gantry overhead structures at the eastbound entrances; however, these structures and foundations will have to be removed and replaced to meet the current California Department of Transportation (Caltrans) standards. Currently, there is no gantry overhead structure at the westbound entrance. For this location, there are two options available: to install a new gantry and foundation or utilize an existing Caltrans overhead sign structure. The consultant will be responsible for the design and preparation of the plans, specifications, and estimates (PS&E), and support during the construction bidding and construction phases for the infrastructure improvements at the three entrances. When completed, this will accommodate the toll entrance reader equipment that will be installed under the TLSI contract for the 91 Express Lanes.

The schedule is a critical element for this project as the gantries must be designed and installed timely to allow Kapsch to complete their implementation process and meet the go live schedule in their contract.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for architectural and engineering (A&E) services that conform to both federal and state laws. Proposals are evaluated and ranked in accordance with the qualifications of the firm, staffing and project organization, and work plan. As this is an A&E procurement, price is not an evaluation criterion pursuant to state and federal laws. Evaluation of the proposals was conducted on the basis of overall qualifications to develop a range of competitive offerors. The highest-ranked firm is requested to submit a cost proposal, and the final agreement is negotiated. Should negotiations fail with the highest-ranked firm, a cost proposal will be solicited from the second-ranked firm in accordance with the approved procurement policies.

On November 26, 2018 Request for Proposals (RFP) 8-2107 was issued electronically on CAMM NET. The project was advertised on November 26 and December 3, 2018, in a newspaper of general circulation. A pre-proposal conference was held on December 3, 2018, with 15 attendees representing 12 firms. Three addenda were issued to make available the pre-proposal conference registration sheets, provide responses to questions received, and handle administrative issues related to the RFP.

On December 21, 2018, four proposals were received. An evaluation committee consisting of staff from the Contracts Administration and Materials Management, Express Lanes Programs, Transportation Planning, and the Highway Programs departments met to review all submitted proposals. The proposals were evaluated based on the following evaluation criteria and weights:

- Qualifications of the Firm 25 percent
- Staffing and Project Organization 40 percent
- Work Plan 35 percent

The evaluation criteria and weights are consistent with those developed for similar A&E procurements. In developing these weights, several factors were considered. The greatest importance was given to the staffing and project organization of the firm, as the qualifications of the project manager and structural engineer, as well as other key personnel, are critical to the successful completion of the project. Similarly, high importance was given to the work plan criterion to emphasize the importance of the team's understanding of the project, its challenges, and its approach to implementing the various elements of the scope of work while adhering to the schedule. The final criterion, qualifications of the firm, evaluated the firm's experience in performing work of a similar nature.

The evaluation committee reviewed and discussed all proposals based on the evaluation criteria and short-listed the two most qualified firms listed below in alphabetical order:

FPL and Associates, Inc. (FPL)
Irvine, California

Parsons Transportation Group, Inc. (PTG)
Irvine, California

On January 14, 2019, the evaluation committee interviewed the two short-listed firms. The interviews consisted of a presentation allowing each firm to present its qualifications, highlight its personnel, and respond to evaluation committee questions. In general, each team's presentation addressed the requirements of the RFP, highlighted the project team's experience and work on related projects, and stressed the firm's commitment to the success of the project. Also highlighted were staffing plans, work plans, and perceived project issues. Each firm was asked some general questions related to the potential challenges and risks of the project, along with the firm's strategy for working with Caltrans to achieve design approval. In addition, each team was asked specific clarification questions related to their proposal. After considering the responses to the questions asked during the interview, the evaluation committee adjusted the

preliminary scores for both firms, which changed the ranking of the firms where PTG became the top-ranked firm with the highest cumulative score.

Based on the evaluation of written proposals and information obtained from the interviews, staff recommends PTG as the firm to provide project PS&E for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. PTG ranked highest among the proposing firms because of the team's current involvement with Caltrans to facilitate design reviews and approvals of the Interstate 405 (I-405) Improvement Project and its involvement with Kapsch, the toll lanes system integrator, to implement the ETTM system in the 91 and 405 Express Lanes. PTG's proposed team consists of qualified key personnel with the necessary experience to complete the project in accordance with the aggressive schedule set forth in the scope of work. The firm demonstrated a clear understanding of the project requirements and presented a comprehensive work plan addressing key issues that are critical to meeting the project schedule. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

PTG has been providing engineering, construction, program and construction management services, and other professional services for federal, regional, and local government agencies since 1944. The firm has over 15,000 employees with offices in 34 states and 15 countries, including an office in the City of Irvine. PTG is currently OCTA's Program Management Consultant on the I-405 design-build project. Additionally, PTG has provided similar services to those required by the scope of work including: project management, field investigation, geotechnical analysis, preliminary engineering, PS&E design, bid package development, and construction management services involving ETTM system infrastructure for the Riverside County Transportation Commission's (RCTC) 91 Express Lanes Project, and the San Bernardino County Transportation Authority's (SBCTA) Interstate 10 and Interstate 15 Express Lanes project. PTG has worked with OCTA's contractor, Kapsch, on previous projects with RCTC and currently works with them on OCTA's I-405 and 91 Express Lanes Project for implementation of the ETTM system. PTG proposed to utilize two subconsultants to provide support in the areas of geotechnical engineering and locating utilities.

FPL was established in 1988 and provides civil engineering, traffic engineering, electrical engineering, and transportation planning services to local, municipal, state, and federal clients. FPL has 25 employees and an office in the City of Irvine. The firm has experience working with OCTA and completed the project study report, project report, environmental document, and PS&E for the Interstate 5 High-Occupancy Vehicle Lane Access Conversion Project and is currently providing traffic electrical engineering for the I-405 Improvement

Project. FPL has also worked on toll-related projects with ETTM infrastructure design, including the original 91 Express Lanes, the 91 Express Lanes extension with RCTC, various projects with the Transportation Corridor Agencies, the State Route 125 Toll Road in Chula Vista, and the San Francisco Bay Area Toll Bridges. FPL proposed to utilize three subconsultants to provide permitting, environmental documentation support, geotechnical engineering, and surveying work.

Staffing and Project Organization

PTG proposed a project team with relevant experience developing design documents for highway projects under Caltrans District 12 jurisdiction and specifically with tolling or intelligent transportation system (ITS) requirements. The proposed project manager (PM) has 20 years of experience in technology programs, specializing in tolling and ITS. Currently, the PM is working with OCTA's contractor, Kapsch, and is familiar with the complexities of the project. The proposed structural engineer will be responsible for the final plans and design for the toll gantries structures and foundations, project specifications, and cost estimates, and has 35 years of experience. This experience includes a number of projects requiring final design and PS&E development for state highways under OCTA and Caltrans oversight. The project team has worked together on several projects including the OCTA I-405 Improvement Project, SBCTA Interstate 10 Express Lanes, RCTC Interstate 15 Express Lanes and RCTC State Route 91 corridor where similar services were provided. During the interview, the project team discussed their roles on the project and how they would utilize their existing relationship with Caltrans District 12 to ensure the design submittal review process does not impact the critical schedule.

FPL proposed a project team with experience providing design services for various highway projects for OCTA and other public agencies. The proposed project manager has 40 years of experience related to highway design and project management, and specifically worked on the original 91 Express Lanes. The proposed civil engineer has 19 years of experience in civil and traffic engineering, including designing gantries for Caltrans Districts 7, 8, and 11. The project team has worked together on several projects in the past where similar services were provided. During the interview, the project team members discussed their method to completing the project requirements and responded to the evaluation committee's questions during the interview. FPL's proposal detailed their past experience with Caltrans District 12; however, when responding to the evaluation committee's questions during the interview, they did not detail a definitive approach to ensuring the design submittal review process does not negatively impact the schedule.

Work Plan

PTG presented a comprehensive work plan that addressed all the tasks in the scope of work. The firm demonstrated their understanding of the project by discussing the benefits and risks of the two potential design options for the new westbound toll reader location. In addition, PTG outlined their methodology for upgrading the tolling equipment and the supporting gantries at the two existing eastbound toll reader locations. The work plan proposed solutions to potential project issues such as the long lead time required for the procurement of gantries and its potential to delay the construction schedule, coordination with Caltrans and its impact to the schedule, and the special requirements the TLSI will require for the gantry design. During the interview, the project team highlighted their knowledge of the 91 Express Lanes corridor, familiarity with the Caltrans requirements, and experience working with Kapsch, which will be providing and installing the toll equipment.

FPL presented its approach to completing the project by discussing the necessary tasks that would be completed in its work plan. The firm discussed its understanding of the project by sequentially breaking down the work activities that would be completed and proposed streamlining the design phase to meet the schedule. FPL discussed the three gantry locations and presented two solutions for the westbound gantry location. The firm also discussed potential issues that include the long lead time of the gantry structures and the lengthy Caltrans review times that could negatively impact the schedule. During the interview, FPL highlighted their approach to completing the project by accelerating the schedule.

Procurement Summary

Based on the evaluation of the written proposals and information obtained during the interviews, the evaluation committee recommends the selection of PTG as the top-ranked firm to provide PS&E for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. PTG demonstrated relevant experience and submitted a comprehensive proposal that was responsive to the requirements of the RFP. PTG presented a detailed and thorough interview, supporting the firm's experience, staffing, work plan, and their thorough understanding of the overall project.

Fiscal Impact

This project is included in OCTA's Fiscal Year 2018-19 Budget, 91 Express Lanes, Account 0036-7519-B3250-TDV, and is funded with toll revenues.

Summary

Staff requests Board of Directors' approval for the Chief Executive Officer to negotiate and execute Agreement No. C-8-2107 with Parsons Transportation Group, Inc., as the firm to provide plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.

Attachments

- A. Review of Proposals, RFP 8-2107 Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project
- B. Proposal Evaluation Criteria Matrix (Short-Listed), RFP 8-2107 Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project
- C. Contract History for the Past Two Years, RFP 8-2107 Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project

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Review of Proposals
RFP 8-2107 Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project
 Presented to Finance and Administration Committee - February 13, 2019

4 proposals were received, 2 firms were interviewed, 1 firm is being recommended

Overall Ranking	Overall Score	Firm & Location	Subcontractors	Evaluation Committee Comments
1	88	Parsons Transportation Group, Inc. Irvine, California	C Below, Inc. Earth Mechanics, Inc.	<p>Experience in providing plans, specifications, and estimates including providing engineering, construction, program management, and other professional services.</p> <p>Proposed project manager has 20 years of experience in technology programs, specializing in tolling and intelligent transportation systems.</p> <p>Proposed structural engineer has 35 years of experience, specifically with Caltrans District 12 (Caltrans).</p> <p>Proposed project team have experience working together on projects with electronic tolling and traffic management (ETTM) requirements.</p> <p>Demonstrated an understanding of the 91 Express Lanes corridor ETTM system implementation and the schedule constraints for delivery.</p> <p>Demonstrated an understanding of potential project risks and proposed mitigation measures.</p> <p>Demonstrated a thorough understanding of Caltrans requirements.</p> <p>Presented technical approach to completing project and provided responses to questions during the interview.</p>
2	83	FPL and Associates, Inc. Irvine, California	HDR, Inc. Kleinfelder Psomas	<p>Experience in providing plans, specifications, and estimates, including providing civil engineering, traffic engineering, electrical engineering, and other transportation services.</p> <p>Proposed project manager has 40 years of experience in highway design and project management.</p> <p>Proposed project team worked on the original ETTM infrastructure design for the 91 Express Lanes.</p> <p>Demonstrated an understanding of the 91 Express Lanes and the potential issues during design.</p> <p>When responding to the evaluation committee's question regarding Caltrans coordination for this project during the interview, staff provided a general response.</p> <p>Presented technical approach to completing the project and responded to interview questions.</p>

Evaluation Panel: Five Members

Internal:

Contracts Administration and Materials Management (1)
 Express Lanes Programs (2)
 Highway Programs (1)
 Transportation Planning (1)

Evaluation Criteria:

Qualifications of the Firm
 Staffing and Project Organization
 Work Plan

Weight Factors

25%
 40%
 35%

PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed)
RFP 8-2107 Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project

Parsons Transportation Group, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Criteria Score
Qualifications of Firm	4.5	4.5	4.5	4.5	4.0	5	22.0
Staffing/Project Organization	4.5	4.5	4.5	4.5	4.0	8	35.2
Work Plan	4.5	4.5	4.5	4.5	4.0	7	30.8
Overall Score	90	90	90	90	80		88

FPL and Associates, Inc.							
Evaluator Number	1	2	3	4	5	Weights	Criteria Score
Qualifications of Firm	4.5	4.0	4.0	4.0	4.0	5	20.5
Staffing/Project Organization	4.0	4.0	4.0	4.0	4.0	8	32.0
Work Plan	4.5	4.0	4.5	4.5	4.5	7	30.8
Overall Score	86	80	84	84	84		83

The range of scores for the non-short-listed firms was 67-75.

CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 8-2107

Plans, Specifications and Estimates for the 91 Express Lanes Infrastructure Project

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Parsons Transportation Group, Inc.						
Contract Type: Firm Fixed Price	C-0-1864	Segment 1 of the Interstate 5 High-Occupancy Vehicle (HOV) between San Creek and Avenida Pico	June 8, 2011	December 31, 2019		\$ 7,308,519
Subconsultants:						
BonTerra Consulting					\$ 20,115.65	
Earth Mechanics, Inc.					\$ 444,696.00	
FPL & Associates, Inc.					\$ 667,661.00	
Group Delta Consultants, Inc.					\$ 29,767.37	
Lynn Capouya, Inc.					\$ 196,804.00	
Psomas					\$ 245,555.00	
WKE, Inc.					\$ 45,021.00	
Contract Type: Time and Expense	C-2-1513	Program Management Consultant Services for the Interstate 405 Improvement Project from Euclid Street to Interstate 605	March 3, 2014	May 31, 2023	N/A	\$ 132,796,531
Subconsultants:						
The Alliance Group Consulting						
Coast Surveying, Inc.						
CTI Environmental, Inc.						
Delcan Corporation						
Falcon Engineering Services						
GCAP Services, Inc.						
Group Delta Consultants, Inc.						
HNTB Corporation						
MARRS Services, Inc.						
McLean & Schultz						
Overland, Pacific and Cutler, Inc.						
Panacea, Inc.						
Progressive Transportation Solutions, LLC						
Psomas						
Rosendin Electric, Inc.						
Spec Services, Inc.						
Contract Type: Firm Fixed Price	C-3-2190	Consultant Services to Prepare the Project Report and Environmental Document for the Interstate 405 Improvement Project from Interstate 5 to State Route 55	December 10, 2014	December 31, 2018		\$ 6,119,865
Subconsultants:						
Advanced Civil Technologies					\$ 266,659.00	
Bonterra Psomas					\$ 160,907.00	
Earth Mechanics, Inc.					\$ 107,926.00	
Iteris, Inc.					\$ 152,452.00	
MARRS Services, Inc.					\$ 159,269.00	
Psomas					\$ 247,438.00	
Terry A. Hayes Associates, Inc.					\$ 147,440.00	
TranSystems Corporation					\$ 865,221.08	
Value Management Strategies					\$ 42,791.00	

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Parsons Transportation Group, Inc.						
Contract Type: Firm Fixed Price	C-8-0693	Consultant Services to Prepare the Project Report and Environmental Document for the Interstate 405 Widening	March 17, 2009	January 31, 2018		\$ 17,287,202
Subconsultants:						
Albert Grover & Associates					\$ 753,550.00	
ECORP Consulting					\$ 84,000.00	
Group Delta Consultants, Inc.					\$ 773,434.00	
McLean & Schultz					\$ 118,266.35	
Nossaman, LLP					\$ 58,000.00	
Paragon Partners, LTD					\$ 157,820.00	
Psomas					\$ 387,167.00	
Stantec Consulting, Inc.					\$ 1,768,149.14	
TEC Management Consultants, Inc.					\$ 200,974.00	
Terry A. Hayes Associates, Inc.					\$ 5,000.00	
URS Corporation					\$ 994,276.00	
Value Management Strategies					\$ 54,681.00	
Contract Type: Time and Expense	C-9-0809	Consultant Services for Construction Program Management Consultant services for the Railroad Grade Separation Projects	July 30, 2010	July 31, 2019	N/A	\$ 9,407,991
Subconsultants:						
Nossaman, LLP						
Padilla & Associates, Inc.						
					Sub Total	\$172,920,109
FPL and Associates, Inc.						
Contract Type: Firm Fixed Price	C-0-1887	Consultant Services for a Project Study Report, Project Report, Environmental Document, PS&E and Construction Support for the Interstate 5 HOV Access Conversion Project	August 18, 2011	August 31, 2017		\$ 1,167,638
Subconsultants:						
ICF International					\$ 81,941.00	
Psomas					\$ 115,546.00	
Stantec Consulting Services, Inc.					\$ 97,762.00	
TRC Solutions, Inc.					\$ 165,944.00	
					Sub Total	\$1,167,638



February 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 91 Express Lanes Update for the Period Ending December 31, 2018

Overview

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, over 210 million trips have been taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending December 31, 2018.

Recommendation

Receive and file as an information item.

Background

Since January 2003, the Orange County Transportation Authority (OCTA) has owned the 91 Express Lanes (91 EL), which is a two-lane managed-lane facility in each direction in the median of the State Route 91 (SR-91) freeway. Over the past 16 years, OCTA has experienced the upticks and downturns of the economy and the resulting impacts to the 91 EL.

During OCTA ownership, toll rates have been adjusted up and down, additional capacity has been added to the general-purpose lanes in the SR-91 corridor through various improvement projects, the outstanding debt has been restructured, and an extension of the facility was completed by the Riverside County Transportation Commission (RCTC). This period also witnessed a shifting in travel patterns from 91 EL customers whereby more travelers elected to use the off-peak shoulder hours as opposed to the peak-period hours and use the westbound lanes versus the eastbound lanes.

Traffic volumes and toll revenues are at historic high levels. Calendar year 2018 completed the first full year of OCTA's partnership with RCTC in sharing revenues and splitting costs.

The Board of Directors (Board) took action on various items related to the 91 EL. These included the selection of Kapsch TrafficCom USA, Inc., (Kapsch) to design and install a new electronic toll and traffic management collection system, the relocation of the customer service center to a new location in the City of Corona, and the restructuring of the 91 EL account plans.

Discussion

The 91 EL continued to perform well and exceeded expectations during the period ending December 31, 2018. Traffic volumes, toll revenues, new accounts, transponder distributions, and account balances all increased when compared to the same period last year. The strong national and local economies, along with the opening of the Riverside County extension of the 91 EL by the RCTC, fueled the growth in Orange County. The OCTA 91 EL growth continues to be driven by increased traffic volumes in the westbound direction.

Traffic Volumes

Total traffic volume on the OCTA 91 EL for the month of December 2018 was 1,420,288. This represents a daily average of 45,816. This is a 4.8 percent increase in total traffic volume from the same period last year when traffic levels totaled 1,354,612. Carpool percentage for the period ending December was 28.2 percent. In looking at the 2019 calendar year totals, traffic volumes reached 17.2 million and increased by 9.1 percent over the same period in 2018.

The growth in the last month, and over the past 12 months, in traffic volumes has been largely attributed to the westbound direction. Since RCTC opened the 91 EL extension, OCTA's traffic volumes have increased significantly in the westbound direction. For the month of December 2018, traffic volumes increased by 7.7 percent in the westbound direction and 2.3 percent in the eastbound direction over the same period in 2017. For the past 12 months, traffic volumes in the westbound direction have increased by 11.1 percent and eastbound volumes have increased by 7.3 percent when compared to the same period in 2017.

Gross Potential Toll Revenues

Gross potential toll revenue (GPTR) for the month of December 2018 was \$4,082,589, which represents an increase of 4.7 percent from the prior year's total of \$3,901,082. GPTR is equal to the toll rate times the number vehicles traveling on the 91 EL, (the amount does not consider violations or discounts). In looking at the 2019 calendar year totals, GPTR reached \$51.2 million and increased by 7.5 percent over the same period in 2018.

Toll Adjustments

The Board adopted Toll Policy requires staff to review traffic volumes on the Orange County segment of the 91 EL for potential toll adjustments on a quarterly basis. The most recent toll adjustment occurred on October 1, 2018, whereby five peak period hours were reduced by \$0.50. As of the end of December 2018, toll rates ranged from a minimum of \$1.65 to a maximum of \$9.65. The next scheduled toll adjustment will occur on January 1, 2019.

Number of Accounts and Transponders

The number of active accounts totaled 144,633, and 220,313 transponders were assigned to those accounts as of December 31, 2018. Over the past 12 months, the number of accounts has increased by 8,631, and the number of transponders in circulation has increased by 13,718.

Outstanding Debt

As of December 31, 2018, the outstanding amount of the 91 EL tax-exempt 2013 Senior Lien Toll Road Revenue Refunding Bonds (Bonds) totaled \$97.8 million. The Bonds are rated "AA-" by Standard and Poor's, "A1" by Moody's, and "A+" by Fitch Ratings. The next scheduled debt service payment is on February 15, 2019. There are currently no plans to issue additional debt secured by 91 EL toll revenues.

Reserve Funds

The bond indenture for the 2013 Bonds requires three reserve funds: a major maintenance fund, an operating fund, and a debt service reserve fund. All three funds are fully funded with a total balance of \$24.5 million as of December 31, 2018.

In addition to the required debt reserve funds, OCTA's Board elected to establish two additional reserve funds. An internal capital projects fund has a balance of

\$18.7 million and is used for large capital projects for the 91 EL. In the past, these funds were used for the 91 EL pavement rehabilitation project. The other reserve fund was established in 2017 for two future Measure M2 projects in the SR-91 corridor. The balance in that reserve fund is \$30.4 million. Lastly, OCTA has approximately \$94.9 million set aside in excess toll revenues for various other SR-91 corridor projects.

Upcoming Events

Over the next few months, several events will be transpiring related to the 91 EL. In March 2019, OCTA and RCTC will be moving the customer service center to a new location in Corona. This new location, which is owned by RCTC, will serve as the walk-up center for customers, the call center for customer calls, and the transponder distribution location.

Kapsch will be installing the new lane system during the second quarter of 2019. An upgrade to the back-office system, a rollout of new account structure, and distribution of 6C transponders will commence once the lane system installation has been completed.

Also during the second quarter, staff will be seeking Board approval on the release of the Back-Office System / Customer Service Center request for proposals (RFP) for the 91 EL. This RFP is currently being developed jointly by OCTA and RCTC. The evaluation committee recommendation for this RFP is anticipated to be presented to the OCTA and RCTC Boards by the end of the calendar year.

Lastly, staff is currently in discussions with the California Highway Patrol (CHP) for a new agreement to provide enforcement services on the 91 EL. OCTA is required to use CHP for enforcement services per the Franchise Agreement with the State. Staff will be bringing forth the agreement for Board approval later in the calendar year.

Summary

During the period ending December 31, 2018, the 91 Express Lanes continued to perform well and exceeded expectations. This report provides a summary of key operational and financial activities.

Attachment

- A. 91 Express Lanes Status Report, December 2018

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**Orange County Transportation Authority
Riverside County Transportation Commission**



Status Report
December 2018

As of December 31, 2018

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OPERATIONS OVERVIEW OCTA

TRAFFIC AND REVENUE STATISTICS FOR OCTA

Total traffic volume on the OCTA 91 Express Lanes for December 2018 was 1,420,288. This represents a daily average of 45,816. This is a 4.8% increase in total traffic volume from the same period last year when traffic levels totaled 1,354,612. Potential toll revenue for the month was \$4,082,589 which represents an increase of 4.7% from the prior year's total of \$3,901,082. Carpool percentage for the month was 28.22% as compared to the previous year's rate of 26.72%.

Month-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the OCTA 91 Express Lanes and associated potential revenue for the month of December 2018.

Current Month-to-Date (MTD) as of December 31, 2018

	Dec-18 MTD Actual	Stantec MTD Projected	# Variance	% Variance	Dec-17 MTD Actual	Yr-to-Yr % Variance
Trips						
Full Toll Lanes	1,019,435	1,057,092	(37,657)	(3.6%)	992,583	2.7%
3+ Lanes	400,853	331,110	69,743	21.1%	362,019	10.7%
Total Gross Trips	1,420,288	1,388,201	32,087	2.3%	1,354,612	4.8%
Revenue						
Full Toll Lanes	\$4,006,933	\$4,210,011	(\$203,078)	(4.8%)	\$3,829,052	4.6%
3+ Lanes	\$75,656	\$80,315	(\$4,659)	(5.8%)	\$72,031	5.0%
Total Gross Revenue	\$4,082,589	\$4,290,326	(\$207,737)	(4.8%)	\$3,901,082	4.7%
Average Revenue Per Trip						
Average Full Toll Lanes	\$3.93	\$3.98	(\$0.05)	(1.3%)	\$3.86	1.8%
Average 3+ Lanes	\$0.19	\$0.24	(\$0.05)	(20.8%)	\$0.20	(5.0%)
Average Revenue Per Trip	\$2.87	\$3.09	(\$0.22)	(7.1%)	\$2.88	(0.3%)

The 2019 fiscal year-to-date traffic volume and revenue are both 6.2% higher when compared with the same period last year. Year-to-date average revenue per-trip is \$2.96.

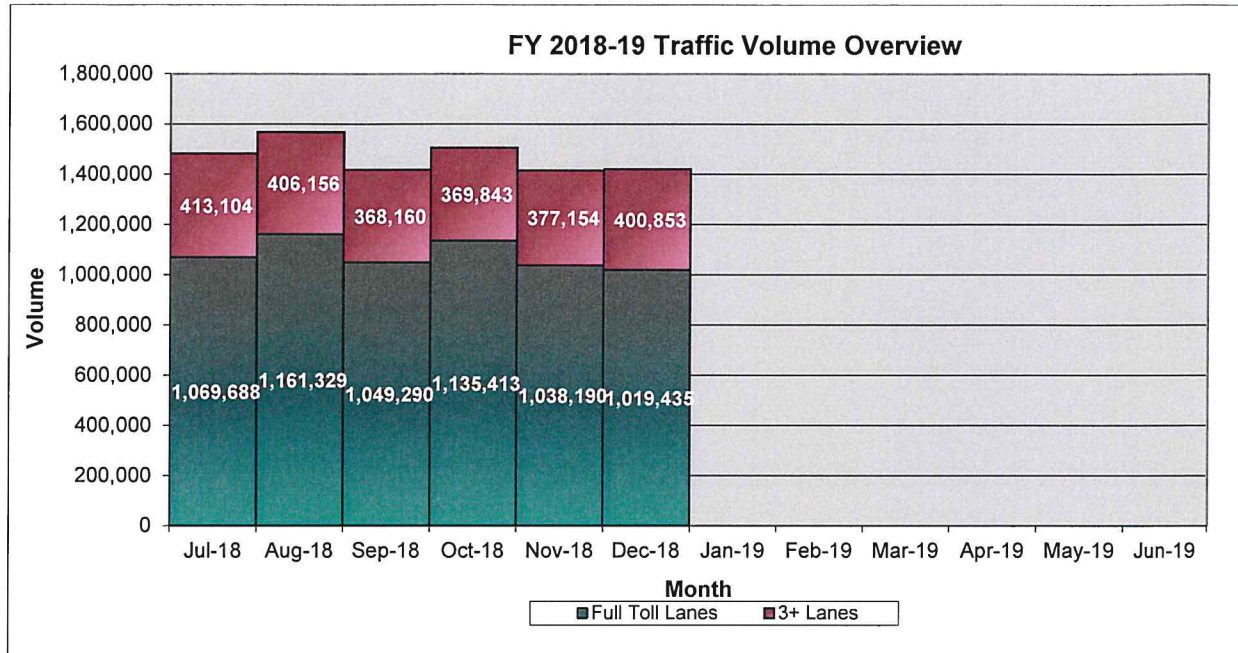
Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the OCTA 91 Express Lanes and associated potential revenue for the months of July 2018 through December 2018.

FY 2018-19 Year to Date as of December 31, 2018

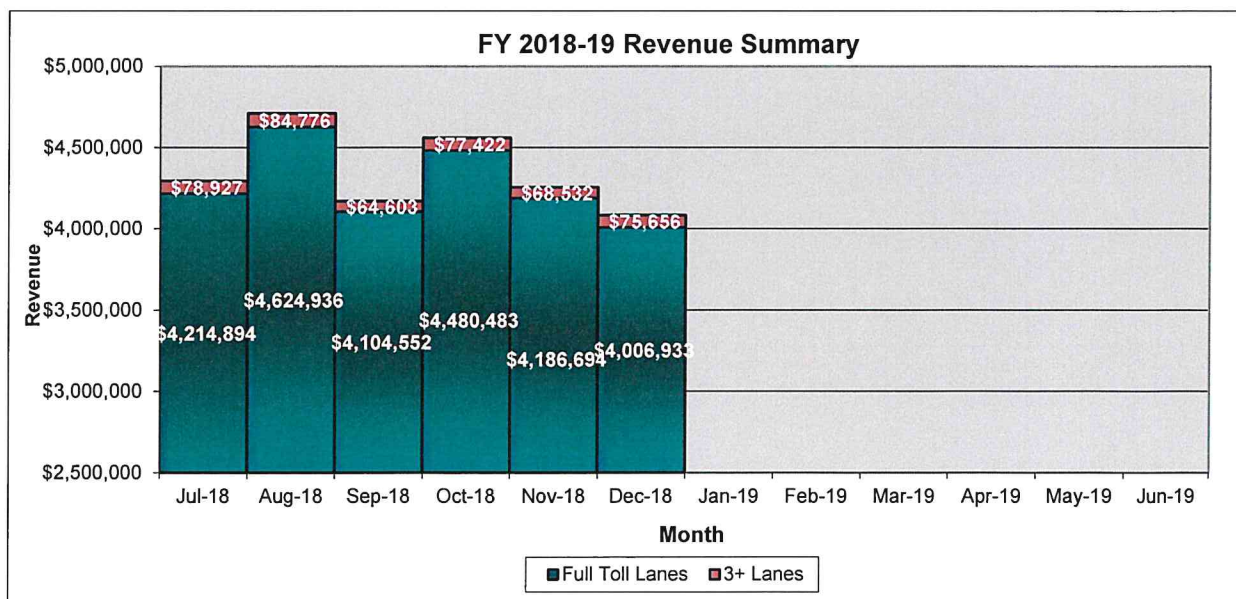
	FY 2018-19 YTD Actual	Stantec YTD Projected	# Variance	% Variance	FY 2017-18 YTD Actual	Yr-to-Yr % Variance
Trips						
Full Toll Lanes	6,473,345	6,588,447	(115,102)	(1.7%)	6,211,029	4.2%
3+ Lanes	2,335,270	2,009,014	326,256	16.2%	2,079,643	12.3%
Total Gross Trips	8,808,615	8,597,461	211,154	2.5%	8,290,672	6.2%
Revenue						
Full Toll Lanes	\$25,618,492	\$26,218,234	(\$599,742)	(2.3%)	\$24,126,623	6.2%
3+ Lanes	\$449,916	\$500,094	(\$50,178)	(10.0%)	\$427,585	5.2%
Total Gross Revenue	\$26,068,408	\$26,718,327	(\$649,919)	(2.4%)	\$24,554,208	6.2%
Average Revenue Per Trip						
Average Full Toll Lanes	\$3.96	\$3.98	(\$0.02)	(0.5%)	\$3.88	2.1%
Average 3+ Lanes	\$0.19	\$0.25	(\$0.06)	(24.0%)	\$0.21	(9.5%)
Average Revenue Per Trip	\$2.96	\$3.11	(\$0.15)	(4.8%)	\$2.96	0.0%

OCTA Traffic and Revenue Summary

The chart below reflects the total trips breakdown between Full Toll trips and HOV3+ trips for FY 2018-19 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll trips and HOV3+ trips for FY 2018-19 on a monthly basis.



Peak traffic hour in the eastbound direction reached or exceeded 90% or more of defined capacity 16 times during the month of December 2018. As demonstrated on the next chart, westbound peak hour traffic volumes top out at 82% of defined capacity.

OCTA EASTBOUND PEAK-HOUR VOLUMES

PM Time	Monday 12/03/18				Tuesday 12/04/18				Wednesday 12/05/18				Thursday 12/06/18				Friday 12/07/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	406	2,512	74%	\$5.05	409	2,908	86%	\$5.05	386	2,681	79%	\$5.20	375	2,645	78%	\$5.35	505	3,367	99%
1500 - 1600	\$5.40	588	3,076	90%	\$5.65	625	2,870	84%	\$6.25	624	3,183	94%	\$6.00	557	2,764	81%	\$9.65	694	2,649	78%
1600 - 1700	\$5.25	469	2,901	85%	\$5.50	413	2,816	83%	\$6.75	442	2,613	77%	\$9.30	442	2,270	67%	\$9.45	399	2,618	77%
1700 - 1800	\$5.20	581	3,117	92%	\$5.40	508	2,950	87%	\$6.90	432	2,203	65%	\$9.20	529	2,617	77%	\$6.90	600	2,930	86%
1800 - 1900	\$5.40	675	2,720	80%	\$3.85	627	3,083	91%	\$3.85	565	2,376	70%	\$4.75	618	2,725	80%	\$6.40	713	2,878	85%
1900 - 2000	\$3.75	588	2,247	66%	\$3.75	692	2,793	82%	\$3.75	432	1,558	46%	\$5.50	484	2,027	60%	\$5.95	661	2,298	68%

PM Time	Monday 12/10/18				Tuesday 12/11/18				Wednesday 12/12/18				Thursday 12/13/18				Friday 12/14/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	454	2,655	78%	\$5.05	462	2,969	87%	\$5.05	425	2,988	88%	\$5.20	391	2,946	87%	\$5.35	524	3,397	100%
1500 - 1600	\$5.40	648	3,084	91%	\$5.65	649	2,763	81%	\$6.25	674	3,347	98%	\$6.00	653	3,105	91%	\$9.65	748	2,760	81%
1600 - 1700	\$5.25	453	2,918	86%	\$5.50	400	2,736	80%	\$6.75	504	2,841	84%	\$9.30	487	2,636	78%	\$9.45	512	2,771	82%
1700 - 1800	\$5.20	569	2,954	87%	\$5.40	537	2,812	83%	\$6.90	455	2,131	63%	\$9.20	521	2,815	83%	\$6.90	634	2,978	88%
1800 - 1900	\$5.40	701	2,777	82%	\$3.85	654	2,948	87%	\$3.85	676	2,990	88%	\$4.75	478	2,177	64%	\$6.40	700	2,826	83%
1900 - 2000	\$3.75	631	2,255	66%	\$3.75	770	2,936	86%	\$3.75	778	2,936	86%	\$5.50	755	3,153	93%	\$5.95	653	2,139	63%

PM Time	Monday 12/17/18				Tuesday 12/18/18				Wednesday 12/19/18				Thursday 12/20/18				Friday 12/21/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	443	2,700	79%	\$5.05	478	2,957	87%	\$5.05	461	2,935	86%	\$5.20	502	3,328	98%	\$5.35	611	3,519	104%
1500 - 1600	\$5.40	627	3,035	89%	\$5.65	650	2,755	81%	\$6.25	653	3,110	91%	\$6.00	634	3,022	89%	\$9.65	676	2,634	77%
1600 - 1700	\$5.25	506	3,049	90%	\$5.50	484	2,890	85%	\$6.75	530	2,866	84%	\$9.30	455	2,484	73%	\$9.45	479	2,641	78%
1700 - 1800	\$5.20	558	2,892	85%	\$5.40	597	2,969	87%	\$6.90	497	2,600	76%	\$9.20	602	2,827	83%	\$6.90	598	2,790	82%
1800 - 1900	\$5.40	650	2,697	79%	\$3.85	625	2,814	83%	\$3.85	699	3,196	94%	\$4.75	671	2,861	84%	\$6.40	630	2,355	69%
1900 - 2000	\$3.75	631	2,225	65%	\$3.75	691	2,678	79%	\$3.75	737	2,754	81%	\$5.50	742	2,887	85%	\$5.95	562	1,816	53%

PM Time	Monday 12/24/18				Tuesday 12/25/18				Wednesday 12/26/18				Thursday 12/27/18				Friday 12/28/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.35	694	2,106	62%	\$5.90	824	1,839	54%	\$5.05	588	2,602	77%	\$5.20	602	2,963	87%	\$5.35	620	3,142	92%
1500 - 1600	\$9.65	847	2,182	64%	\$5.90	629	1,484	44%	\$6.25	710	2,935	86%	\$6.00	731	3,024	89%	\$9.65	723	2,612	77%
1600 - 1700	\$9.45	699	1,840	54%	\$5.90	594	1,268	37%	\$6.75	513	2,257	66%	\$9.30	555	2,442	72%	\$9.45	454	2,321	68%
1700 - 1800	\$6.90	732	1,731	51%	\$5.90	695	1,321	39%	\$6.90	491	1,940	57%	\$9.20	648	2,550	75%	\$6.90	554	2,324	68%
1800 - 1900	\$6.40	736	1,720	51%	\$5.90	742	1,412	42%	\$3.85	611	1,941	57%	\$4.75	709	2,312	68%	\$6.40	640	2,057	61%
1900 - 2000	\$5.95	672	1,370	40%	\$5.90	803	1,452	43%	\$3.75	429	1,205	35%	\$5.50	499	1,467	43%	\$5.95	546	1,473	43%

PM Time	Monday 12/31/18				Tuesday 01/01/19				Wednesday 01/02/19				Thursday 01/03/19				Friday 01/04/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.35	435	1,680	49%																
1500 - 1600	\$9.65	561	1,766	52%																
1600 - 1700	\$9.45	446	1,481	44%																
1700 - 1800	\$6.90	515	1,455	43%																
1800 - 1900	\$6.40	500	1,236	36%																
1900 - 2000	\$5.95	448	1,038	31%																

OCTA WESTBOUND PEAK-HOUR VOLUMES

AM Time	Monday 12/03/18				Tuesday 12/04/18				Wednesday 12/05/18				Thursday 12/06/18				Friday 12/07/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	795	2,501	74%	\$3.00	790	2,577	76%	\$3.00	758	2,438	72%	\$3.00	748	2,288	67%	\$3.00	637	1,904	56%
0500 - 0600	\$4.85	868	2,512	74%	\$4.85	924	2,585	76%	\$4.85	760	2,325	68%	\$4.85	783	2,221	65%	\$4.60	737	2,395	70%
0600 - 0700	\$5.05	589	2,089	61%	\$5.05	601	2,128	63%	\$5.05	603	1,969	58%	\$5.05	594	1,902	56%	\$4.85	582	2,014	59%
0700 - 0800	\$5.55	499	2,178	64%	\$5.55	489	2,192	64%	\$5.55	426	1,932	57%	\$5.55	410	1,831	54%	\$5.40	501	2,057	61%
0800 - 0900	\$5.05	308	2,027	60%	\$5.05	326	2,349	69%	\$5.05	230	1,597	47%	\$5.05	285	1,786	53%	\$4.85	284	1,865	55%
0900 - 1000	\$4.00	305	2,065	61%	\$4.00	301	2,236	66%	\$4.00	313	2,184	64%	\$4.00	307	1,911	56%	\$4.00	314	1,897	56%

AM Time	Monday 12/10/18				Tuesday 12/11/18				Wednesday 12/12/18				Thursday 12/13/18				Friday 12/14/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	830	2,570	76%	\$3.00	802	2,399	71%	\$3.00	841	2,585	76%	\$3.00	841	2,574	76%	\$3.00	652	1,926	57%
0500 - 0600	\$4.85	858	2,506	74%	\$4.85	947	2,626	77%	\$4.85	834	2,444	72%	\$4.85	857	2,445	72%	\$4.60	774	2,437	72%
0600 - 0700	\$5.05	619	2,140	63%	\$5.05	645	2,196	65%	\$5.05	669	2,120	62%	\$5.05	642	2,106	62%	\$4.85	621	2,033	60%
0700 - 0800	\$5.55	496	2,034	60%	\$5.55	550	2,471	73%	\$5.55	474	2,199	65%	\$5.55	516	2,272	67%	\$5.40	500	2,085	61%
0800 - 0900	\$5.05	297	1,989	59%	\$5.05	344	2,206	65%	\$5.05	334	2,022	59%	\$5.05	327	2,097	62%	\$4.85	358	1,930	57%
0900 - 1000	\$4.00	344	2,017	59%	\$4.00	325	2,202	65%	\$4.00	283	2,119	62%	\$4.00	336	2,377	70%	\$4.00	314	1,911	56%

AM Time	Monday 12/17/18				Tuesday 12/18/18				Wednesday 12/19/18				Thursday 12/20/18				Friday 12/21/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	848	2,785	82%	\$3.00	771	2,535	75%	\$3.00	796	2,546	75%	\$3.00	767	2,423	71%	\$3.00	674	1,992	59%
0500 - 0600	\$4.85	833	2,496	73%	\$4.85	956	2,624	77%	\$4.85	854	2,393	70%	\$4.85	803	2,355	69%	\$4.60	713	2,296	68%
0600 - 0700	\$5.05	622	2,047	60%	\$5.05	617	2,015	59%	\$5.05	637	2,118	62%	\$5.05	654	2,209	65%	\$4.85	540	1,883	55%
0700 - 0800	\$5.55	483	2,061	61%	\$5.55	479	2,106	62%	\$5.55	464	2,061	61%	\$5.55	471	2,005	59%	\$5.40	403	1,724	51%
0800 - 0900	\$5.05	313	1,994	59%	\$5.05	325	2,042	60%	\$5.05	333	2,117	62%	\$5.05	324	1,968	58%	\$4.85	304	1,675	49%
0900 - 1000	\$4.00	317	2,084	61%	\$4.00	318	2,134	63%	\$4.00	373	2,266	67%	\$4.00	340	2,237	66%	\$4.00	363	1,685	50%

AM Time	Monday 12/24/18				Tuesday 12/25/18				Wednesday 12/26/18				Thursday 12/27/18				Friday 12/28/18			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	166	410	12%	\$1.65	21	40	1%	\$3.00	495	1,514	45%	\$3.00	527	1,627	48%	\$3.00	451	1,306	38%
0500 - 0600	\$4.60	204	506	15%	\$1.65	25	52	2%	\$4.85	559	1,575	46%	\$4.85	635	1,789	53%	\$4.60	554	1,676	49%
0600 - 0700	\$4.85	177	472	14%	\$1.65	24	84	2%	\$5.05	314	1,080	32%	\$5.05	355	1,292	38%	\$4.85	338	1,080	32%
0700 - 0800	\$5.40	194	557	16%	\$1.65	40	128	4%	\$5.55	290	1,044	31%	\$5.55	308	1,108	33%	\$5.40	262	1,025	30%
0800 - 0900	\$4.85	172	577	17%	\$3.00	125	308	9%	\$5.05	245	1,012	30%	\$5.05	314	1,248	37%	\$4.85	265	1,197	35%
0900 - 1000	\$4.00	292	840	25%	\$3.15	284	635	19%	\$4.00	328	1,298	38%	\$4.00	399	1,548	46%	\$4.00	385	1,444	42%

AM Time	Monday 12/31/18				Tuesday 01/01/19				Wednesday 01/02/19				Thursday 01/03/19				Friday 01/04/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	199	602	18%																
0500 - 0600	\$4.60	271	720	21%																
0600 - 0700	\$4.85	172	537	16%																
0700 - 0800	\$5.40	152	577	17%																
0800 - 0900	\$4.85	186	687	20%																
0900 - 1000	\$4.00	214	712	21%																

OCTA OPERATIONAL HIGHLIGHTS

On-road Operations

OCTA Customer Assistance Specialists (CAS) responded to 109 calls during the month of December. Of those calls, 96 were to assist disabled vehicles and 1 call to remove debris. The CAS provided assistance to 7 accidents in the Express Lanes and 5 accidents originating from the SR91 general-purpose lanes.

Electronic Toll and Traffic Management System Project Update

An agreement with Kapsch TrafficCom USA, Inc., (Kapsch) was executed in June 2018 to provide toll lane system integrator services for the design, installation, operations, and maintenance of the electronic toll and traffic management system for the 91 Express Lanes. In December, Kapsch has developed several project plans and documentations and held weekly coordination meetings with OCTA and Cofiroute in preparation for the transition to the new lane system. This new lane system will be able to read the new 6C protocol as well as the current Title 21 protocol. Following RCTC's completion of their lane system installation on the 91 Express Lanes, OCTA will commence installation on the Orange County segment. It is anticipated the OCTA lane system equipment at the gantries will be replaced in spring 2019.

6C Transition Update

In addition to the lane system replacement, the back-office system will need to be modified in order to process the new transponders and changes to the customer account plans. Modification to the back-office system will commence when the lane system installations for both OCTA and RCTC have been completed. Distribution of the new 6C transponders to customers will begin after the back-office system changes have been made. OCTA and RCTC have prepared a series of customer communication to be provided to customers to facilitate the transition to the new protocol and changes to the account plans.

Amendment to the Three-Party Operating Agreement

As referenced above, due to the back-office system changes, an amendment to the OCTA, RCTC, Cofiroute USA (CUSA) Operating Agreement is required. Staff from both OCTA and RCTC have been in negotiations with CUSA for the amendment. It is

anticipated there will be no change to the maximum obligation of the contract. The amendment is expected to be finalized by early spring 2019.

California Highway Patrol Agreement

Staff is currently in discussion with the California Highway Patrol (CHP) for a new agreement to provide enforcement services on the OCTA 91 Express Lanes. As a requirement of the Franchise Agreement, OCTA is required to use CHP for enforcement services. Staff will be bringing forth the agreement for Board approval in the next few months.

FINANCIAL HIGHLIGHTS OCTA

91 Express Lanes Operating Statement

Description	YTD as of : 12/31/2018		YTD Variance	
	Actual ⁽¹⁾	Budget ⁽¹⁾	Dollar \$	Percent (%)
Operating revenues:				
Toll revenue	\$ 23,503,639.03	\$ 24,834,736.00	\$ (1,331,096.97)	(5.4)
Fee revenue	3,678,135.41	2,420,394.00	1,257,741.41	52.0
Total operating revenues	27,181,774.44	27,255,130.00	(73,355.56)	(0.3)
Operating expenses:				
Contracted services	3,278,016.30	3,773,540.00	495,523.70	13.1
Administrative fee	1,240,524.00	1,377,942.00	137,418.00	10.0
Other professional services	275,908.26	1,792,042.00	1,516,133.74	84.6
Credit card processing fees	666,872.30	650,214.00	(16,658.30)	(2.6)
Toll road account servicing	353,009.94	319,938.00	(33,071.94)	(10.3)
Other insurance expense	176,293.30	374,850.00	198,556.70	53.0
Toll road maintenance supply repairs	108,745.28	138,960.00	30,214.72	21.7
Patrol services	353,147.31	397,374.00	44,226.69	11.1
Building equipment repairs and maint	73,627.47	209,096.00	135,468.53	64.8
Other services	4,405.00	14,998.00	10,593.00	70.6
Utilities	25,147.90	32,988.00	7,840.10	23.8
Office expense	48,597.33	110,236.00	61,638.67	55.9
Bad debt expense	83,593.41	-	(83,593.41)	N/A
Miscellaneous ⁽²⁾	73,216.66	419,843.00	346,626.34	82.6
Leases	257,015.54	229,908.00	(27,107.54)	(11.8)
Total operating expenses	7,018,120.00	9,841,929.00	2,823,809.00	28.7
Depreciation and amortization ⁽³⁾	1,719,605.15	-	(1,719,605.15)	N/A
Operating income (loss)	18,444,049.29	17,413,201.00	1,030,848.29	5.9
Nonoperating revenues (expenses):				
Reimbursement from Other Agencies	342,974.97	559,194.00	(216,219.03)	(38.7)
Interest income	1,418,003.93	1,109,892.00	308,111.93	27.8
Interest expense	(2,469,662.34)	(2,504,976.00)	35,313.66	1.4
Other	5,756.71	-	5,756.71	N/A
Total nonoperating revenues (expenses)	(702,926.73)	(835,890.00)	132,963.27	15.9
Transfers in	-	-	-	N/A
Transfers out	(720,635.53)	(14,345,295.00)	13,624,659.47	95.0
Net income (loss)	\$ 17,020,487.03	\$ 2,232,016.00	\$ 14,788,471.03	662.6

¹Actual amounts are accounted for on the accrual basis of accounting in an enterprise fund. Budget amounts are accounted for on a modified accrual basis of accounting.

²Miscellaneous expenses include: Bond Insurance Costs, Bank Service Charge, Transponder Materials.

³Depreciation and amortization are not budgeted items.

Capital Asset Activity

During the six months ending December 31, 2018, capital asset activities included \$349, 599 for the Electronic Toll and Traffic Management system replacement project and \$2,487 for transponder purchases.

OPERATIONS OVERVIEW RCTC

TRAFFIC AND REVENUE STATISTICS FOR RCTC

Total traffic volume on the RCTC 91 Express Lanes for December 2018 was 1,198,578. This represents a daily average of 38,664. This is a 2% increase in total traffic volume from the same period last year when traffic levels totaled 1,174,690. Potential toll revenue for the month was \$4,327,741 which represents an increase of 15.9% from the prior year's total of \$3,732,545. RCTC had several weekend closures of the 91 Express Lanes in the eastbound direction to allow for the installation of new roadside toll equipment which resulted in reduced traffic volumes and revenue. Carpool percentage for the month was 25.69% as compared to the previous year's rate of 23.6%.

Month-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the RCTC 91 Express Lanes and associated potential revenue for the month of December 2018.

Current Month-to-Date (MTD) as of December 31, 2018

Trips	DEC-18 MTD Actual	Stantec MTD Projected	# Variance	% Variance	Dec-17 MTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	890,682	625,000	265,682	42.5%	897,483	(0.8%)
3+ Lanes	307,896	240,000	67,896	28.3%	277,207	11.1%
Total Gross Trips	1,198,578	865,000	333,578	38.6%	1,174,690	2.0%
Revenue						
Full Toll Lanes	\$4,289,378	\$1,895,028	\$2,394,350	126.3%	\$3,700,810	15.9%
3+ Lanes	\$38,363	\$0	\$38,363		\$31,735	20.9%
Total Gross Revenue	\$4,327,741	\$1,895,028	\$2,432,713	128.4%	\$3,732,545	15.9%
Average Revenue per Trip						
Average Full Toll Lanes	\$4.82	\$3.03	\$1.79	59.1%	\$4.12	17.0%
Average 3+ Lanes	\$0.12	\$0.00	\$0.12		\$0.11	9.1%
Average Gross Revenue	\$3.61	\$2.19	\$1.42	64.8%	\$3.18	13.5%

The 2019 fiscal year-to-date (YTD) traffic volume is 5.3% higher when compared with the same period last year. The 2019 fiscal year-to-date revenue is 23.8% higher than for the same period last year. The traffic and revenue increases are attributed to higher demand and increase toll rates to manage the demand. Year-to-date average revenue per-trip is \$3.59.

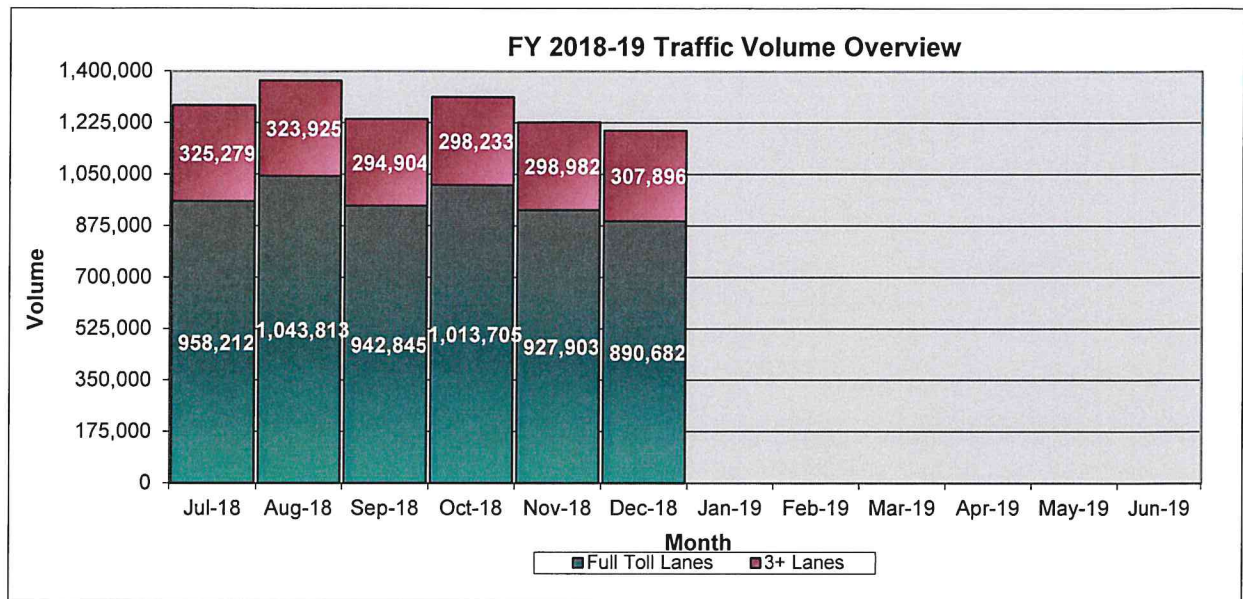
Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the RCTC 91 Express Lanes and associated potential revenue for the months of July 2018 through December 2018.

FY 2018-19 Year to Date as of December 31, 2018

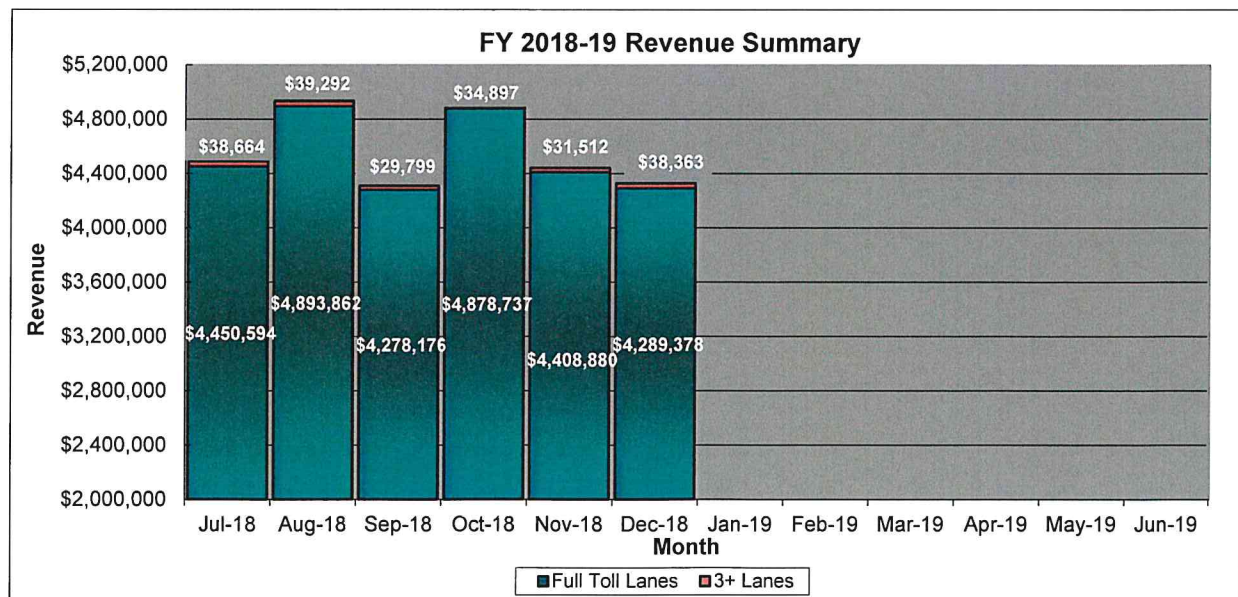
Trips	FY 2018-19 YTD Actual	Stantec YTD Projected	# Variance	% Variance	FY 2017-18 YTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	5,777,160	3,741,014	2,036,146	54.4%	5,670,112	1.9%
3+ Lanes	1,849,217	1,324,343	524,874	39.6%	1,570,256	17.8%
Total Gross Trips	7,626,377	5,065,357	2,561,020	50.6%	7,240,368	5.3%
Revenue						
Full Toll Lanes	\$27,199,627	\$11,237,757	\$15,961,870	142.0%	\$21,958,737	23.9%
3+ Lanes	\$212,527	\$0	\$212,527		\$185,015	14.9%
Total Gross Revenue	\$27,412,154	\$11,237,757	\$16,174,397	143.9%	\$22,143,751	23.8%
Average Revenue per Trip						
Average Full Toll Lanes	\$4.71	\$3.00	\$1.71	57.0%	\$3.87	21.7%
Average 3+ Lanes	\$0.11	\$0.00	\$0.11		\$0.12	(8.3%)
Average Gross Revenue	\$3.59	\$2.22	\$1.37	61.7%	\$3.06	17.3%

RCTC Traffic and Revenue Summary

The chart below reflects the total trips broken down between Full Toll lanes and HOV3+ lanes for FY 2018-19 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll lanes and HOV3+ lanes for FY 2018-19 on a monthly basis.



RCTC PEAK-HOUR VOLUMES

RCTC regularly evaluates traffic volumes for peak period hours where Express Lanes performance is degraded and either increases or decreases tolls. There were no toll rates adjusted in December to improve the level of service in the peak hours where demand exceeded capacity. Hours that are highlighted in yellow were flagged for continued evaluation.

RCTC EASTBOUND PEAK-HOUR VOLUMES

Eastbound PM Peak - County Line to McKinley

PM Time	Monday 12/03/18					Tuesday 12/04/18					Wednesday 12/05/18					Thursday 12/06/18					Friday 12/07/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$4.05	259	1,102	1,361	F	\$5.15	230	1,112	1,342	F	\$5.15	214	1,056	1,270	E	\$7.55	260	1,210	1,470	F	\$17.70	266	1,484	1,750	F
1500 - 1600	\$5.05	379	1,221	1,600	F	\$5.15	347	1,052	1,399	F	\$6.55	335	1,045	1,380	F	\$9.60	367	1,195	1,562	F	\$17.70	509	1,404	1,913	F
1600 - 1700	\$4.05	302	1,557	1,859	F	\$4.05	211	1,035	1,246	E	\$3.95	211	874	1,085	D	\$8.55	247	1,037	1,284	E	\$11.40	361	1,341	1,702	F
1700 - 1800	\$4.05	408	1,458	1,866	F	\$4.05	237	960	1,197	D	\$3.95	192	817	1,009	D	\$3.95	327	1,290	1,617	F	\$6.70	375	1,335	1,710	F
1800 - 1900	\$4.05	423	1,266	1,689	F	\$4.05	309	903	1,212	E	\$3.95	239	738	977	C	\$3.95	383	1,410	1,793	F	\$6.70	468	1,272	1,740	F
1900 - 2000	\$2.20	396	1,119	1,515	F	\$4.05	311	940	1,251	E	\$3.95	195	484	679	B	\$4.05	300	1,012	1,312	F	\$5.15	466	1,132	1,598	F

PM Time	Monday 12/10/18					Tuesday 12/11/18					Wednesday 12/12/18					Thursday 12/13/18					Friday 12/14/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$4.05	265	1,148	1,413	F	\$5.15	262	1,105	1,367	F	\$5.15	260	1,245	1,505	F	\$7.55	250	1,355	1,605	F	\$17.70	323	1,313	1,636	F
1500 - 1600	\$5.05	378	1,125	1,503	F	\$5.15	390	1,139	1,529	F	\$6.55	425	1,209	1,634	F	\$9.60	436	1,127	1,563	F	\$17.70	434	1,150	1,584	F
1600 - 1700	\$4.05	248	1,183	1,431	F	\$4.05	235	1,148	1,383	F	\$3.95	260	1,204	1,464	F	\$8.55	270	1,147	1,417	F	\$11.40	292	1,117	1,409	F
1700 - 1800	\$4.05	269	999	1,268	E	\$4.05	264	972	1,236	E	\$3.95	255	929	1,184	D	\$3.95	261	1,023	1,284	E	\$6.70	349	1,081	1,430	F
1800 - 1900	\$4.05	346	933	1,279	E	\$4.05	326	1,029	1,355	F	\$3.95	350	1,047	1,397	F	\$3.95	251	879	1,130	D	\$6.70	384	1,127	1,511	F
1900 - 2000	\$2.20	299	761	1,060	D	\$4.05	352	997	1,349	F	\$3.95	346	1,076	1,422	F	\$4.05	417	1,021	1,438	F	\$5.15	337	831	1,168	D

PM Time	Monday 12/17/18					Tuesday 12/18/18					Wednesday 12/19/18					Thursday 12/20/18					Friday 12/21/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$4.05	285	1,304	1,589	F	\$5.15	275	1,187	1,462	F	\$5.15	288	1,309	1,597	F	\$7.55	339	1,490	1,829	F	\$17.70	407	1,342	1,749	F
1500 - 1600	\$5.05	382	1,194	1,576	F	\$5.15	428	1,157	1,585	F	\$6.55	429	1,363	1,792	F	\$9.60	419	1,131	1,550	F	\$17.70	440	1,148	1,588	F
1600 - 1700	\$4.05	276	1,137	1,413	F	\$4.05	255	1,187	1,442	F	\$3.95	296	1,445	1,741	F	\$8.55	264	1,091	1,355	F	\$11.40	295	1,152	1,447	F
1700 - 1800	\$4.05	287	1,065	1,352	F	\$4.05	274	1,078	1,352	F	\$3.95	293	1,114	1,407	F	\$3.95	313	1,135	1,448	F	\$6.70	327	1,100	1,427	F
1800 - 1900	\$4.05	329	953	1,282	E	\$4.05	367	1,237	1,604	F	\$3.95	348	1,178	1,526	F	\$3.95	300	1,143	1,443	F	\$6.70	338	884	1,222	E
1900 - 2000	\$2.20	325	790	1,115	D	\$4.05	358	983	1,341	F	\$3.95	344	1,021	1,365	F	\$4.05	383	1,029	1,412	F	\$5.15	298	685	983	C

PM Time	Monday 12/24/18					Tuesday 12/25/18					Wednesday 12/26/18					Thursday 12/27/18					Friday 12/28/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$17.70	297	688	985	C	\$4.05	388	744	1,132	D	\$5.15	367	1,119	1,486	F	\$7.55	342	1,114	1,456	F	\$17.70	366	1,064	1,430	F
1500 - 1600	\$17.70	374	688	1,062	D	\$4.05	282	541	823	C	\$6.55	394	1,032	1,426	F	\$9.60	411	978	1,389	F	\$17.70	368	973	1,341	F
1600 - 1700	\$11.40	342	630	972	C	\$2.20	269	436	705	B	\$3.95	245	888	1,133	D	\$8.55	280	871	1,151	D	\$11.40	240	902	1,142	D
1700 - 1800	\$6.70	345	558	903	C	\$2.20	286	357	643	B	\$3.95	242	693	935	C	\$3.95	301	800	1,101	D	\$6.70	260	776	1,036	D
1800 - 1900	\$6.70	328	555	883	C	\$2.20	330	404	734	B	\$3.95	288	561	849	C	\$3.95	315	775	1,090	D	\$6.70	297	627	924	C
1900 - 2000	\$5.15	291	414	705	B	\$4.05	361	386	747	B	\$3.95	183	357	540	B	\$4.05	235	434	669	B	\$5.15	253	417	670	B

PM Time	Monday 12/31/18					Tuesday 01/01/19					Wednesday 01/02/19					Thursday 01/03/19					Friday 01/04/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$17.70	202	507	709	B																				
1500 - 1600	\$17.70	258	513	771	B																				
1600 - 1700	\$11.40	189	465	654	B																				
1700 - 1800	\$6.70	238	402	694	B																				
1800 - 1900	\$6.70	248	277	650	B																				
1900 - 2000	\$5.15	194	414	471	B																				

Eastbound PM Peak - County Line to I-15 South

PM Time	Monday 12/03/18					Tuesday 12/04/18					Wednesday 12/05/18					Thursday 12/06/18					Friday 12/07/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	60	479	539	B	\$5.15	97	603	700	B	\$5.05	78	471	549	B	\$5.05	11	106	117	A	\$5.15	0	166	166	A
1500 - 1600	\$2.85	67	428	495	B	\$2.80	159	602	761	B	\$5.15	98	498	596	B	\$5.15	15	134	149	A	\$2.80	0	142	142	A
1600 - 1700	\$2.85	0	0	0	A	\$2.85	105	569	674	B	\$2.85	80	438	518	B	\$2.80	35	271	306	A	\$2.85	0	135	135	A
1700 - 1800	\$2.85	0	0	0	A	\$2.85	87	485	572	B	\$2.85	81	339	420	B	\$2.85	12	99	111	A	\$2.85	0	144	144	A
1800 - 1900	\$2.85	0	0	0	A	\$2.85	102	486	588	B	\$2.85	94	345	439	B	\$2.85	10	89	99	A	\$2.85	0	108	108	A
1900 - 2000	\$2.85	0	0	0	A	\$2.85	157	537	694	B	\$2.85	61	233	294	A	\$2.85	13	81	94	A	\$2.85	0	118	118	A

PM Time	Monday 12/10/18					Tuesday 12/11/18					Wednesday 12/12/18					Thursday 12/13/18					Friday 12/14/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	94	470	564	B	\$5.15	71	531	602	B	\$5.05	74	585	659	B	\$5.05	73	550	623	B	\$5.15	93	564	657	B
1500 - 1600	\$2.85	103	465	568	B	\$2.80	103	484	587	B	\$5.15	65	518	583	B	\$5.15	77	492	569	B	\$2.80	134	427	561	B
1600 - 1700	\$2.85	92	475	567	B	\$2.85	68	502	570	B	\$2.85	63	410	473	B	\$2.80	87	402	489	B	\$2.85	87	420	507	B
1700 - 1800	\$2.85	109	432	541	B	\$2.85	102	458	560	B	\$2.85	64	342	406	B	\$2.85	83	387	470	B	\$2.85	96	418	514	B
1800 - 1900	\$2.85	123	393	516	B	\$2.85	105	452	557	B	\$2.85	106	418	524	B	\$2.85	73	286	359	A	\$2.85	98	346	444	B
1900 - 2000	\$2.85	128	349	477	B	\$2.85	135	491	626	B	\$2.85	153	436	589	B	\$2.85	137	487	624	B	\$2.85	105	322	427	B

PM Time	Monday 12/17/18					Tuesday 12/18/18					Wednesday 12/19/18					Thursday 12/20/18					Friday 12/21/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	80	463	543	B	\$5.15	77	474	551	B	\$5.05	63	498	561	B	\$5.05	77	526	603	B	\$5.15	97	546	643	B
1500 - 1600	\$2.85	80	443	523	B	\$2.80	86	412	498	B	\$5.15	97	491	588	B	\$5.15	79	422	501	B	\$2.80	98	446	544	B
1600 - 1700	\$2.85	91	412	503	B	\$2.85	56	456	512	B	\$2.85	72	481	553	B	\$2.80	82	385	467	B	\$2.85	80	391	471	B
1700 - 1800	\$2.85	66	371	437	B	\$2.85	109	417	526	B	\$2.85	86	389	475	B	\$2.85	107	384	491	B	\$2.85	95	414	509	B
1800 - 1900	\$2.85	101	372	473	B	\$2.85	36	126	162	A	\$2.85	113	476	589	B	\$2.85	104	389	493	B	\$2.85	107	327	434	B
1900 - 2000	\$2.85	109	316	425	B	\$2.85	122	373	495	B	\$2.85	106	415	521	B	\$2.85	148	439	587	B	\$2.85	104	277	381	A

PM Time	Monday 12/24/18					Tuesday 12/25/18					Wednesday 12/26/18					Thursday 12/27/18					Friday 12/28/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$5.15	200	437	637	B	\$2.85	255	393	648	B	\$5.05	150	531	681	B	\$5.05	164	637	801	C	\$5.15	133	622	755	B
1500 - 1600	\$2.80	229	473	702	B	\$2.85	190	360	550	B	\$5.15	185	593	778	B	\$5.15	187	580	767	B	\$2.80	166	558	724	B
1600 - 1700	\$2.85	188	353	541	B	\$2.85	182	260	442	B	\$2.85	125	505	630	B	\$2.80	143	569	712	B	\$2.85	113	478	591	B
1700 - 1800	\$2.85	208	278	486	B	\$2.85	216	200	416	B	\$2.85	127	415	542	B	\$2.85	153	466	619	B	\$2.85	151	443	594	B
1800 - 1900	\$2.85	211	307	518	B	\$2.85	247	242	489	B	\$2.85	155	337	492	B	\$2.85	172	329	501	B	\$2.85	138	348	486	B
1900 - 2000	\$2.85	254	285	539	B	\$2.85	290	197	487	B	\$2.85	121	225	346	A	\$2.85	131	294	425	B	\$2.85	132	231	363	A

PM Time	Monday 12/31/18					Tuesday 01/01/19					Wednesday 01/02/19					Thursday 01/03/19					Friday 01/04/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$5.15	128	396	524	B																				
1500 - 1600	\$2.80	154	416	570	B																				
1600 - 1700	\$2.85	139	330	469	B																				
1700 - 1800	\$2.85	128	302	430	B																				
1800 - 1900	\$2.85	120	209	329	A																				
1900 - 2000	\$2.85	101	176	277	A																				

RCTC WESTBOUND PEAK-HOUR VOLUMES

Westbound AM Peak - McKinley to County Line

AM Time	Monday 12/03/19					Tuesday 12/04/19					Wednesday 12/05/19					Thursday 12/06/19					Friday 12/07/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$6.55	402	1,078	1,480	F	\$6.55	386	1,136	1,522	F	\$6.55	406	1,104	1,510	F	\$6.55	385	1,008	1,393	F	\$3.95	329	752	1,081	D
0500 - 0600	\$18.90	527	822	1,349	E	\$17.45	591	921	1,512	F	\$18.45	401	712	1,113	D	\$18.20	407	649	1,056	D	\$7.90	458	1,016	1,474	F
0600 - 0700	\$17.55	335	902	1,237	E	\$17.15	323	881	1,204	E	\$16.15	335	902	1,237	E	\$16.15	322	899	1,221	E	\$7.15	369	1,146	1,515	F
0700 - 0800	\$13.20	351	1,234	1,585	F	\$13.20	345	1,216	1,561	F	\$13.95	307	1,165	1,472	F	\$12.20	244	1,139	1,383	F	\$6.70	377	1,240	1,617	F
0800 - 0900	\$8.45	240	1,390	1,630	F	\$8.45	252	1,491	1,743	F	\$8.45	166	955	1,121	D	\$9.20	175	1,114	1,289	E	\$5.15	192	1,121	1,313	E
0900 - 1000	\$4.05	190	1,144	1,334	E	\$5.05	171	1,209	1,380	F	\$3.95	178	1,125	1,303	E	\$3.95	150	959	1,109	D	\$4.05	181	887	1,068	D

AM Time	Monday 12/10/18					Tuesday 12/11/18					Wednesday 12/12/18					Thursday 12/13/18					Friday 12/14/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$6.55	436	1,135	1,571	F	\$6.55	412	1,046	1,458	F	\$6.55	460	1,181	1,641	F	\$6.55	463	1,156	1,619	F	\$3.95	358	780	1,138	D
0500 - 0600	\$18.90	524	917	1,441	F	\$17.45	635	970	1,605	F	\$18.45	480	679	1,159	D	\$18.20	476	742	1,218	E	\$7.90	467	1,007	1,474	F
0600 - 0700	\$17.55	357	985	1,342	E	\$17.15	355	801	1,156	D	\$16.15	415	1,019	1,434	F	\$16.15	379	960	1,339	E	\$7.15	391	1,099	1,490	F
0700 - 0800	\$13.20	342	1,264	1,606	F	\$13.20	345	1,269	1,614	F	\$13.95	349	1,264	1,613	F	\$12.20	370	1,325	1,695	F	\$6.70	377	1,302	1,679	F
0800 - 0900	\$8.45	208	1,371	1,579	F	\$8.45	243	1,414	1,657	F	\$8.45	222	1,391	1,613	F	\$9.20	227	1,362	1,589	F	\$5.15	224	1,199	1,423	F
0900 - 1000	\$4.05	198	1,057	1,255	E	\$5.05	203	1,175	1,378	F	\$3.95	169	1,126	1,295	E	\$3.95	212	1,308	1,520	F	\$4.05	183	817	1,000	C

AM Time	Monday 12/17/18					Tuesday 12/18/18					Wednesday 12/19/18					Thursday 12/20/18					Friday 12/21/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$6.55	432	1,171	1,603	F	\$6.55	416	1,152	1,568	F	\$6.55	436	1,221	1,657	F	\$6.55	427	1,050	1,477	F	\$3.95	369	723	1,092	D
0500 - 0600	\$18.90	543	882	1,425	F	\$17.45	648	1,044	1,692	F	\$18.45	504	738	1,242	E	\$18.20	504	751	1,255	E	\$7.90	455	1,034	1,489	F
0600 - 0700	\$17.55	358	867	1,225	E	\$17.15	327	830	1,157	D	\$16.15	406	1,022	1,428	F	\$16.15	398	1,088	1,486	F	\$7.15	358	1,111	1,469	F
0700 - 0800	\$13.20	346	1,317	1,663	F	\$13.20	345	1,332	1,677	F	\$13.95	374	1,323	1,697	F	\$12.20	372	1,307	1,679	F	\$6.70	296	1,171	1,467	F
0800 - 0900	\$8.45	225	1,310	1,535	F	\$8.45	245	1,389	1,634	F	\$8.45	268	1,451	1,719	F	\$9.20	250	1,306	1,556	F	\$5.15	191	952	1,143	D
0900 - 1000	\$4.05	179	1,018	1,197	D	\$5.05	184	1,089	1,273	E	\$3.95	232	1,170	1,402	F	\$3.95	216	1,128	1,344	E	\$4.05	193	721	914	C

AM Time	Monday 12/24/18					Tuesday 12/25/18					Wednesday 12/26/18					Thursday 12/27/18					Friday 12/28/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$3.95	84	163	247	A	\$1.50	10	8	18	A	\$6.55	296	772	1,068	D	\$6.55	314	821	1,135	D	\$3.95	242	534	776	B
0500 - 0600	\$7.90	103	149	252	A	\$1.50	16	15	31	A	\$18.45	317	433	750	B	\$18.20	320	592	912	C	\$7.90	325	717	1,042	D
0600 - 0700	\$7.15	95	188	283	A	\$1.50	11	25	36	A	\$16.15	192	619	811	C	\$16.15	185	640	825	C	\$7.15	212	607	819	C
0700 - 0800	\$6.70	111	232	343	A	\$1.50	20	47	67	A	\$13.95	200	576	776	B	\$12.20	217	621	838	C	\$6.70	194	564	758	B
0800 - 0900	\$5.15	87	255	342	A	\$1.50	54	91	145	A	\$8.45	145	542	687	B	\$9.20	176	653	829	C	\$5.15	171	590	761	B
0900 - 1000	\$4.05	151	295	446	B	\$1.50	116	177	293	A	\$3.95	181	557	738	B	\$3.95	215	688	903	C	\$4.05	191	595	786	B

AM Time	Monday 12/31/18					Tuesday 01/01/19					Wednesday 01/02/19					Thursday 01/03/19					Friday 01/04/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$3.95	101	260	361	A																				
0500 - 0600	\$7.90	152	196	348	A																				
0600 - 0700	\$7.15	85	241	326	A																				
0700 - 0800	\$6.70	103	306	409	B																				
0800 - 0900	\$5.15	90	281	371	A																				
0900 - 1000	\$4.05	114	292	406	B																				

Westbound AM Peak - I-15 North to County Line

AM Time	Monday 12/03/18					Tuesday 12/04/18					Wednesday 12/05/18					Thursday 12/06/18					Friday 12/07/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$5.05	258	781	1,039	D	\$5.05	262	787	1,049	D	\$5.05	236	685	921	C	\$5.05	236	642	878	C	\$2.85	188	571	759	B
0500 - 0600	\$17.40	371	1,009	1,380	E	\$15.40	379	1,017	1,396	E	\$15.70	315	1,021	1,336	E	\$13.70	358	969	1,327	E	\$5.15	307	1,010	1,317	E
0600 - 0700	\$16.40	356	1,117	1,473	F	\$14.70	383	1,183	1,566	F	\$16.70	301	923	1,224	E	\$14.70	299	849	1,148	D	\$6.65	275	813	1,088	D
0700 - 0800	\$12.40	238	1,225	1,463	F	\$10.70	248	1,219	1,467	F	\$12.70	180	950	1,130	D	\$11.70	152	967	1,119	D	\$5.15	200	944	1,144	D
0800 - 0900	\$8.55	123	1,091	1,214	E	\$8.55	146	1,237	1,383	E	\$8.55	110	840	950	C	\$6.65	98	915	1,013	D	\$5.15	97	842	939	C
0900 - 1000	\$5.05	113	771	884	C	\$5.15	111	767	878	C	\$5.15	129	945	1,074	D	\$5.15	110	721	831	C	\$2.85	84	617	701	B

AM Time	Monday 12/10/18					Tuesday 12/11/18					Wednesday 12/12/18					Thursday 12/13/18					Friday 12/14/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$5.05	268	785	1,053	D	\$5.05	258	736	994	C	\$5.05	261	745	1,006	D	\$5.05	257	761	1,018	D	\$2.85	216	663	879	C
0500 - 0600	\$17.40	360	964	1,324	E	\$15.40	382	992	1,374	E	\$15.70	363	1,140	1,503	F	\$13.70	378	1,066	1,444	F	\$5.15	328	1,029	1,357	E
0600 - 0700	\$16.40	361	1,123	1,484	F	\$14.70	325	1,151	1,476	F	\$16.70	354	1,005	1,359	E	\$14.70	353	1,053	1,406	F	\$6.65	319	980	1,299	E
0700 - 0800	\$12.40	254	1,115	1,369	E	\$10.70	252	1,210	1,462	F	\$12.70	243	1,229	1,472	F	\$11.70	248	1,199	1,447	F	\$5.15	195	987	1,182	D
0800 - 0900	\$8.55	153	1,062	1,215	E	\$8.55	175	1,246	1,421	F	\$8.55	137	1,047	1,184	D	\$6.65	145	1,066	1,211	E	\$5.15	151	915	1,066	D
0900 - 1000	\$5.05	112	763	875	C	\$5.15	88	825	913	C	\$5.15	111	866	977	C	\$5.15	112	880	992	C	\$2.85	110	680	790	B

AM Time	Monday 12/17/18					Tuesday 12/18/18					Wednesday 12/19/18					Thursday 12/20/18					Friday 12/21/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$5.05	271	773	1,044	D	\$5.05	237	774	1,011	D	\$5.05	230	751	981	C	\$5.05	233	704	937	C	\$2.85	193	656	849	C
0500 - 0600	\$17.40	347	962	1,309	E	\$15.40	361	967	1,328	E	\$15.70	378	1,018	1,396	E	\$13.70	342	988	1,330	E	\$5.15	281	874	1,155	D
0600 - 0700	\$16.40	316	1,087	1,403	F	\$14.70	348	1,112	1,460	F	\$16.70	347	1,010	1,357	E	\$14.70	358	1,043	1,401	F	\$6.65	233	828	1,061	D
0700 - 0800	\$12.40	250	1,105	1,355	E	\$10.70	247	1,113	1,360	E	\$12.70	223	1,038	1,261	E	\$11.70	202	981	1,183	D	\$5.15	141	790	931	C
0800 - 0900	\$8.55	131	1,050	1,181	D	\$8.55	139	1,031	1,170	D	\$8.55	120	1,044	1,164	D	\$6.65	115	982	1,097	D	\$5.15	99	736	835	C
0900 - 1000	\$5.05	103	772	875	C	\$5.15	92	832	924	C	\$5.15	109	862	971	C	\$5.15	110	770	880	C	\$2.85	113	617	730	B

AM Time	Monday 12/24/18					Tuesday 12/25/18					Wednesday 12/26/18					Thursday 12/27/18					Friday 12/28/18				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$2.85	48	109	157	A	\$1.90	8	13	21	A	\$5.05	163	438	601	B	\$5.05	160	462	622	B	\$2.85	141	426	567	B
0500 - 0600	\$5.15	84	168	252	A	\$1.90	4	19	23	A	\$15.70	228	624	852	C	\$13.70	218	685	903	C	\$5.15	204	570	774	B
0600 - 0700	\$6.65	63	171	234	A	\$1.90	9	36	45	A	\$16.70	161	463	624	B	\$14.70	139	567	706	B	\$6.65	142	438	580	B
0700 - 0800	\$5.15	58	184	242	A	\$1.90	18	45	63	A	\$12.70	105	450	555	B	\$11.70	111	487	598	B	\$5.15	85	417	502	B
0800 - 0900	\$5.15	71	193	264	A	\$1.90	43	110	153	A	\$8.55	84	442	526	B	\$6.65	123	502	625	B	\$5.15	100	533	633	B
0900 - 1000	\$2.85	103	235	338	A	\$1.90	118	183	301	A	\$5.15	103	446	549	B	\$5.15	136	514	650	B	\$2.85	134	476	610	B

AM Time	Monday 12/31/18					Tuesday 01/01/19					Wednesday 01/02/19					Thursday 01/03/19					Friday 01/04/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
0400 - 0500	\$2.85	63	199	262	A																				
0500 - 0600	\$5.15	96	288	384	A																				
0600 - 0700	\$6.65	74	214	288	A																				
0700 - 0800	\$5.15	60	240	300	A																				
0800 - 0900	\$5.15	69	272	341	A																				
0900 - 1000	\$2.85	71	213	284	A																				

RCTC OPERATIONAL HIGHLIGHTS

On-road Operations

RCTC Freeway Service Patrol (FSP) responded to 65 calls during the month of December. Of those calls, 41 were to assist disabled vehicles, 2 were to remove debris, 13 were for traffic breaks, and 9 were in response to accidents.

6C Transponder Technology

Planning for the transition to the new transponder technology is underway. The lane system will be upgraded over a series of weekend with completion of that work expected by early spring 2019. The new sticker transponders have been received and are being prepared for distribution. Changes to the back office system to process the new transponders and make changes to the customer account plan are being finalized and will be released to the customer once both the RCTC and OCTA lane system upgrades are performed. A series of customer communication has been prepared to facilitate the process for providing the new transponders to customers.

FINANCIAL HIGHLIGHTS RCTC

RCTC 91 Express Lanes Operating Statement

Description	YTD as of :		YTD Variance	
	Actual ¹	12/31/2018 Budget	Dollar \$	Percent (%)
Operating revenues:				
Toll Revenue	\$ 23,833,741.65	\$ 16,049,050.00	\$ 7,784,691.65	48.5
Fee Revenue	4,189,666.76	2,421,150.00	1,768,516.76	73.0
Total operating revenues	28,023,408.41	18,470,200.00	9,553,208.41	51.7
Operating expenses:				
Salaries and Benefits	200,664.20	301,500.00	100,835.80	33.4
Legal Services	30,332.88	150,000.00	119,667.12	79.8
Advisory Services	18,243.69	37,500.00	19,256.31	51.4
Audit and Accounting Fees	-	23,500.00	23,500.00	100.0
Service Fees	2,799.35	13,000.00	10,200.65	78.5
Other Professional Services	483,365.91	806,500.00	323,134.09	40.1
Lease Expense	112,744.08	70,300.00	(42,444.08)	(60.4)
Operations	1,591,823.61	1,660,300.00	68,476.39	4.1
Utilities	24,199.10	32,000.00	7,800.90	24.4
Supplies and Materials	197.75	2,500.00	2,302.25	92.1
Membership and Subscription Fees	12,296.50	5,000.00	(7,296.50)	(145.9)
Office Equipment & Furniture (Non-Capital)	22.62	2,500.00	2,477.38	99.1
Maintenance/Repairs	38,036.86	433,550.00	395,513.14	91.2
Training Seminars and Conferences	675.00	4,000.00	3,325.00	83.1
Transportation Expenses	843.00	3,700.00	2,857.00	77.2
Lodging	1,389.07	3,500.00	2,110.93	60.3
Meals	1,158.06	500.00	(658.06)	(131.6)
Other Staff Expenses	167.74	500.00	332.26	66.5
Advertising	6,335.00	70,000.00	63,665.00	91.0
Program Management	13,716.23	31,950.00	18,233.77	57.1
Program Operations	3,874,750.25	4,361,100.00	486,349.75	11.2
Furniture & Equipment	519,678.24	380,000.00	(139,678.24)	(36.8)
Improvements	598,732.13	868,775.00	270,042.87	31.1
Depreciation	5,315,326.61	-	(5,315,326.61)	N/A
Bad Debt Expense	16.03	-	(16.03)	N/A
Total operating expenses	12,847,513.91	9,262,175.00	(3,585,338.91)	(38.7)
Operating income (loss)	15,175,894.50	9,208,025.00	5,967,869.50	64.8
Nonoperating revenues (expenses):				
Interest Revenue	596,521.09	70,650.00	525,871.09	(744.3)
Gain(Loss) on Sale of Capital Assets	(2,224,669.52) ²	-	(2,224,669.52)	N/A
Other Miscellaneous Revenue	2,015.42	4,250,050.00	(4,248,034.58)	100.0
Payment to Escrow Agent	-	(10,000,000.00)	10,000,000.00	(100.0)
Interest Expense	(13,908,986.78)	(3,559,950.00)	(10,349,036.78)	290.7
Total nonoperating revenues (expenses)	(15,535,119.79)	(9,239,250.00)	(6,295,869.79)	(68.1)
Transfers In	-	-	-	N/A
Transfers Out	(94,900.00)	(3,153,600.00)	3,058,700.00	(97.0)
Net income (loss)	\$ (454,125.29)	\$ (3,184,825.00)	\$ 2,730,699.71	(85.7)

¹ Unaudited

² Gain (loss) on sale of capital assets - Loss on sale of capital assets reflects the loss on sale of excess land purchased for the SR-91 Project. Loss on sale is not a cash-related item and not included in the FY18/19 budget.

JOINT AGENCY TRIP AND REVENUE STATISTICS*

Dec-18 MTD	Transactions by Agency	Transactions Using Both Segments	% Using Both Segments	Revenue
Westbound				
OCTA	694,261	429,930	62%	\$ 1,667,561
RCTC	658,228	429,930	65%	\$ 2,658,677
I-15	282,515	195,281	69%	\$ 1,185,452
McKinley	375,713	234,649	62%	\$ 1,473,224

* This information is not available for the eastbound direction due to the work being performed on RCTC's lane system.

JOINT AGENCY PERFORMANCE MEASURES

REPORTING REQUIREMENT	Reporting Period	PERFORMANCE STANDARD	Dec-18 Performance
CUSTOMER SERVICE			
Call Wait Time	Monthly	Not to exceed 2 minutes	1:10
Abandon Rate	Monthly	No more than 4.0%	1.6%
Customer Satisfaction	Monthly	At least 75 outbound calls	76
Convert Violators to Customers	Quarterly	8% or more	27%
Convert Violators to Customers	Annually	10% or more	
VIOLATION PROCESSING			
Response Time	Monthly	Within 2 business days of receipt	1.4
* * CUSA Violation Collection Rate	Quarterly	70% or more	NA
CUSA Violation Collection Rate	Annually	74% or more	
TRAFFIC OPERATIONS			
Initial & Secondary Review s	Monthly	Equal to or less than 15 days	1.8
* Plate Misread Errors	Monthly	Equal to or less than 0.4%	0.01%
CAS Response Time	Monthly	0:20 (minutes) per call	0:08
ACCOUNTING			
OCTA Exceptions	Monthly	No more than 3	0
RCTC Exceptions	Monthly	No more than 3	0
INFORMATION TECHNOLOGY			
Back-office System Uptime	Monthly	99% Availability	100%
Network Uptime	Monthly	99% Availability	100%

CUSA = Cofiroute USA; CAS = OCTA Customer Assistance Specialists

* Plate Misread Error performance is current after a 60-day hold-back period; therefore, percentage reported here is for 2 months prior to the month of this report.

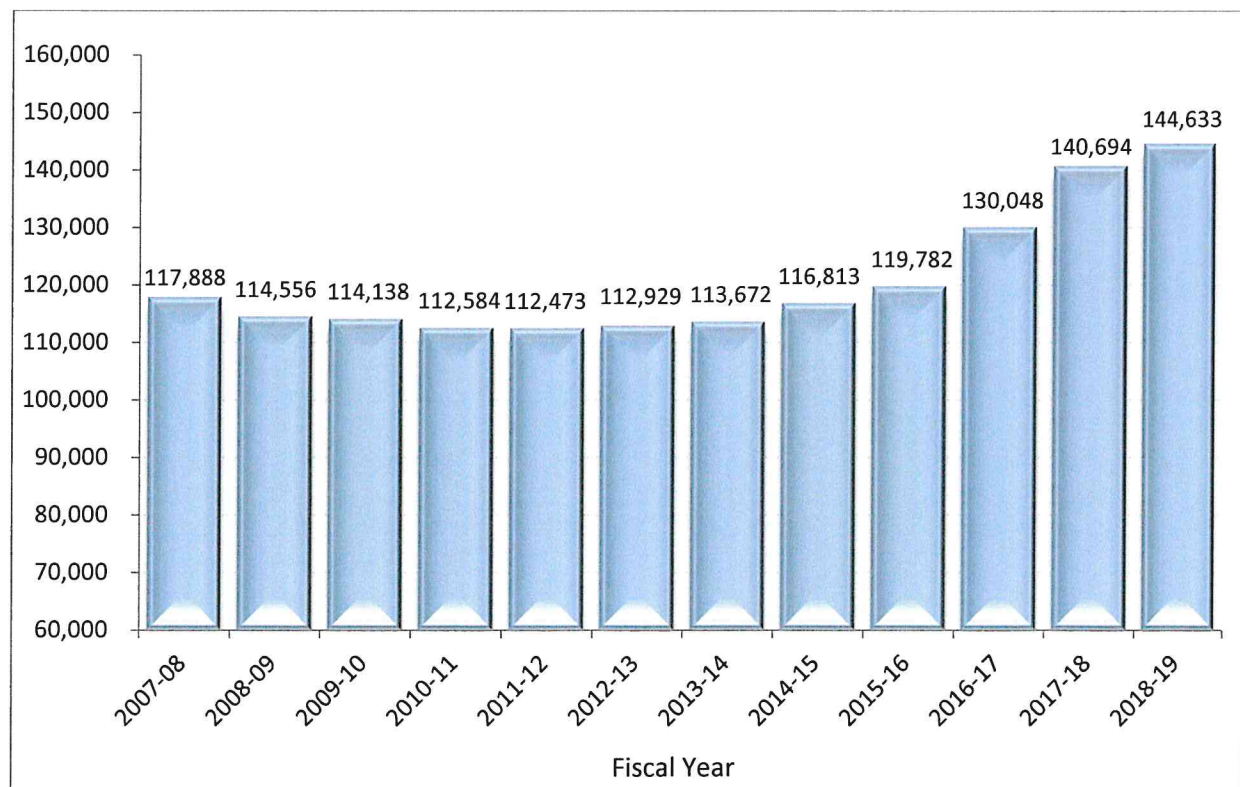
**CUSA Violation Collection Rate is currently unavailable due to pending report data which impacts the statistics.

JOINT AGENCY TRANSPONDER DISTRIBUTION

TRANSPONDER DISTRIBUTION		December-18		November-18		FY 2018-19	
		Tags	% of Total	Tags	% of Total	Average To-Date	
Issued							
To New Accounts		1,131	48.2%	1,253	45.7%	1,511	45.3%
Additional Tags to Existing Accounts		678	28.9%	809	29.5%	883	26.5%
Replacement Transponders		537	22.9%	682	24.9%	939	28.2%
Total Issued		2,346		2,744		3,333	
Returned							
Account Closures		450	34.9%	321	28.4%	419	27.5%
Accounts Downsizing		160	12.4%	129	11.4%	195	12.7%
Defective Transponders		681	52.7%	679	60.1%	912	59.8%
Total Returned		1,291		1,129		1,526	

At the end of December 2018, the 91 Express Lanes had 144,633 active customer accounts, and 220,313 transponders classified as Assigned.

Number of Accounts by Fiscal Year
As of December 31, 2018

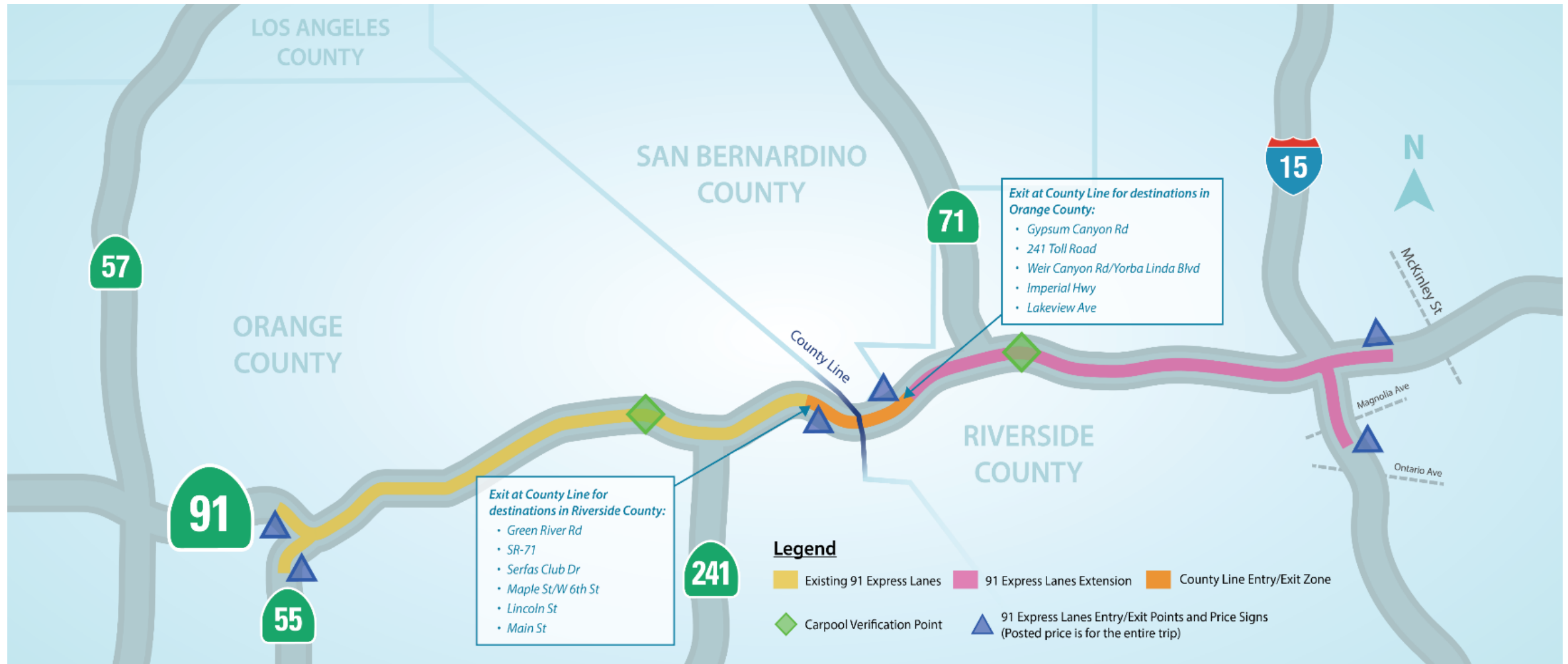


Incoming Email Activity

During December, the Anaheim Processing Center received 2,689 emails.

91 Express Lanes Update for the Period Ending December 31, 2018

State Route 91 Corridor

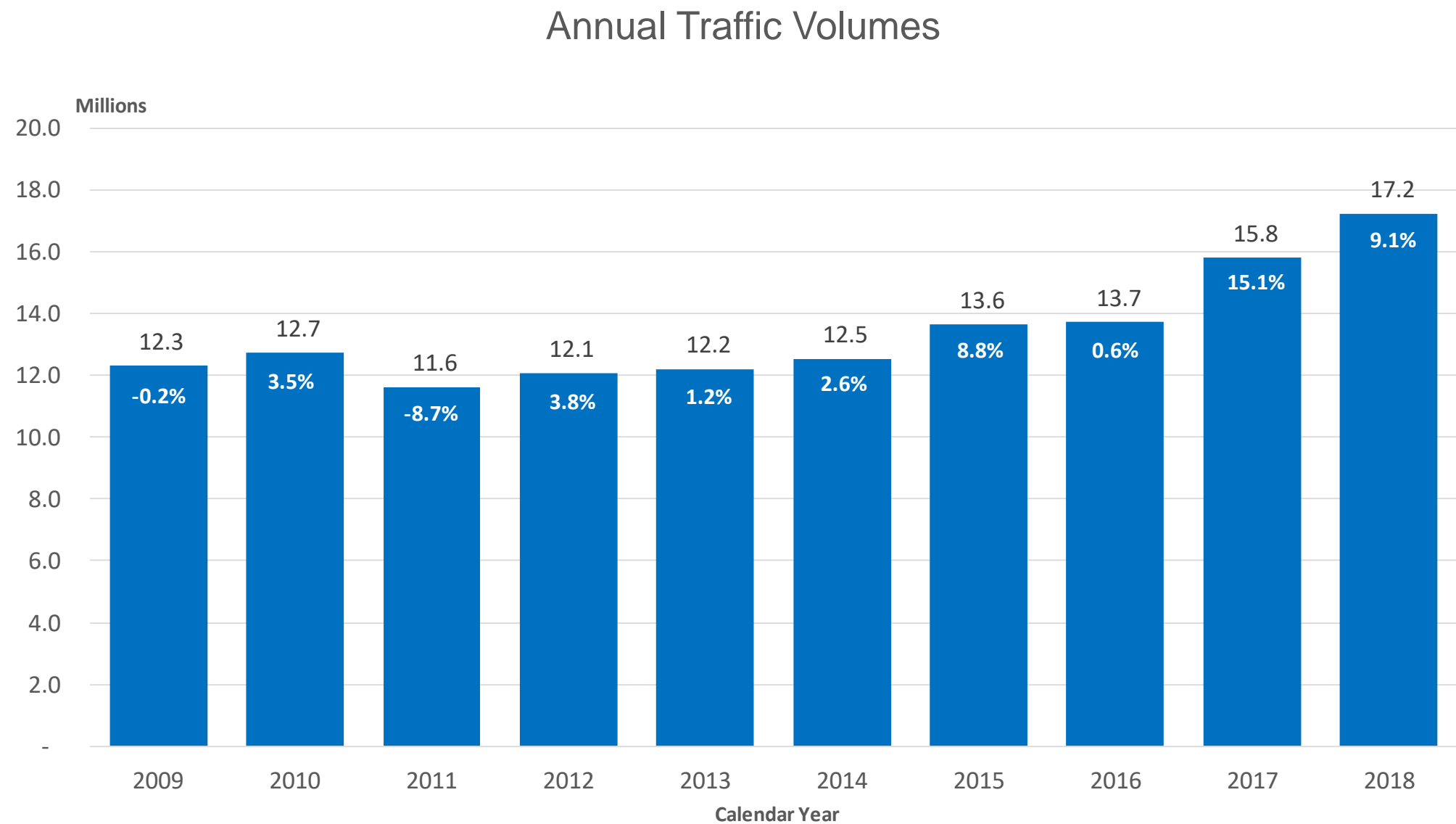


Background

- 91 Express Lanes continues to perform well in Orange and Riverside Counties
- Traffic volumes, toll revenues, and number of accounts are all at historic levels
- Completed first full calendar year of joint partnership with Riverside County Transportation Commission

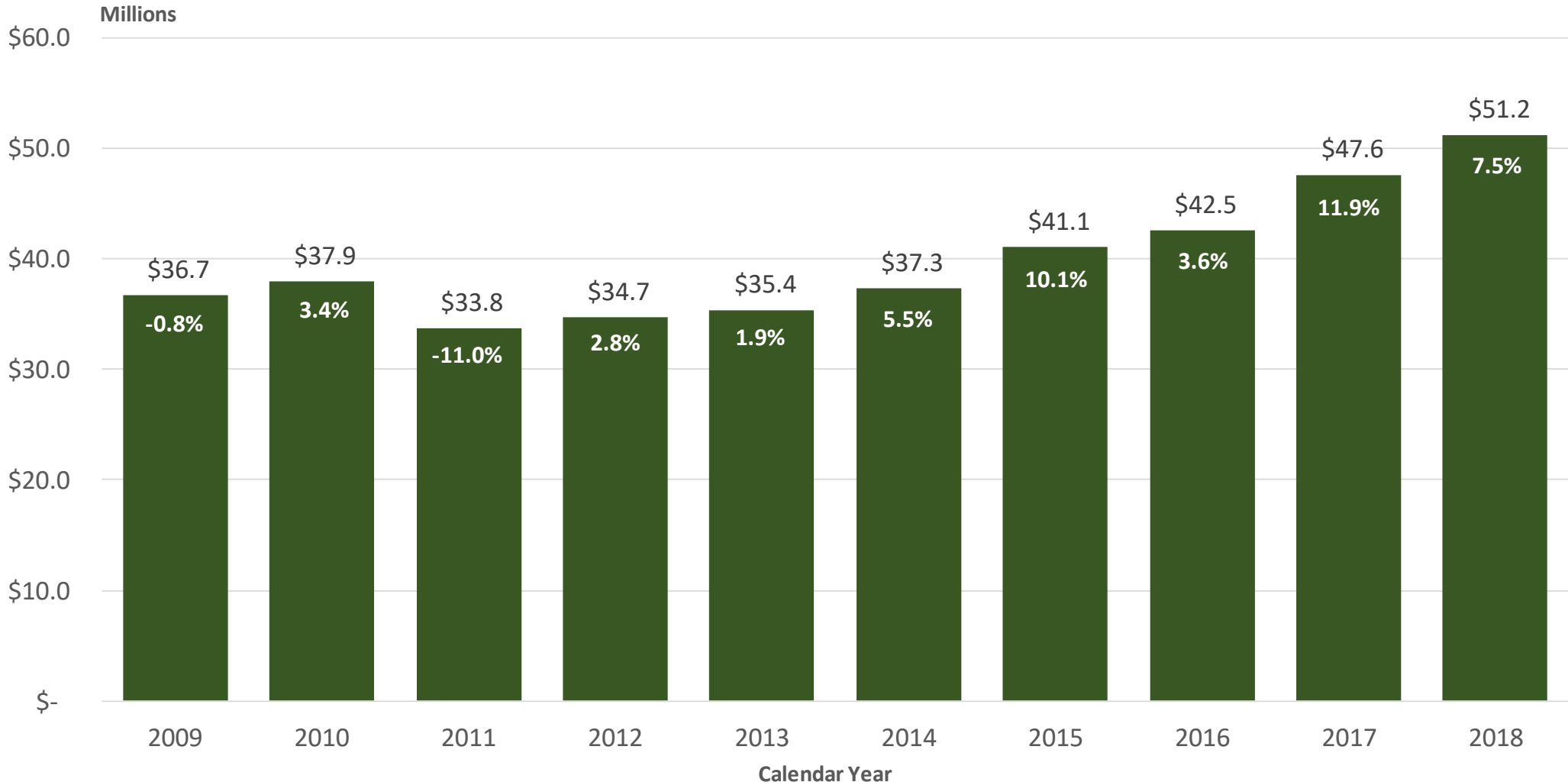


Traffic Volumes Reach Historic Highs



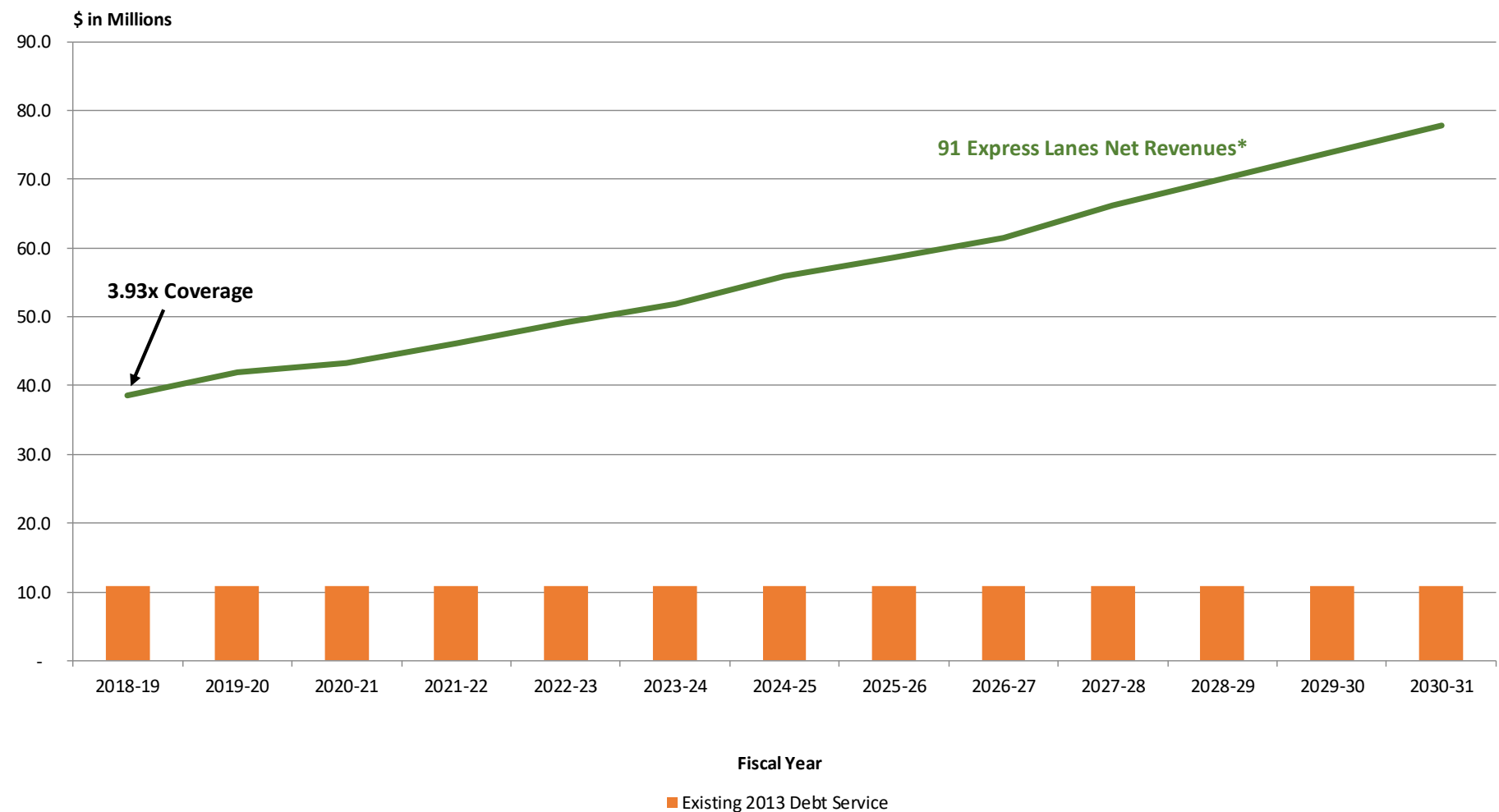
Toll Revenues Continue to Increase

Annual Gross Potential Toll Revenues



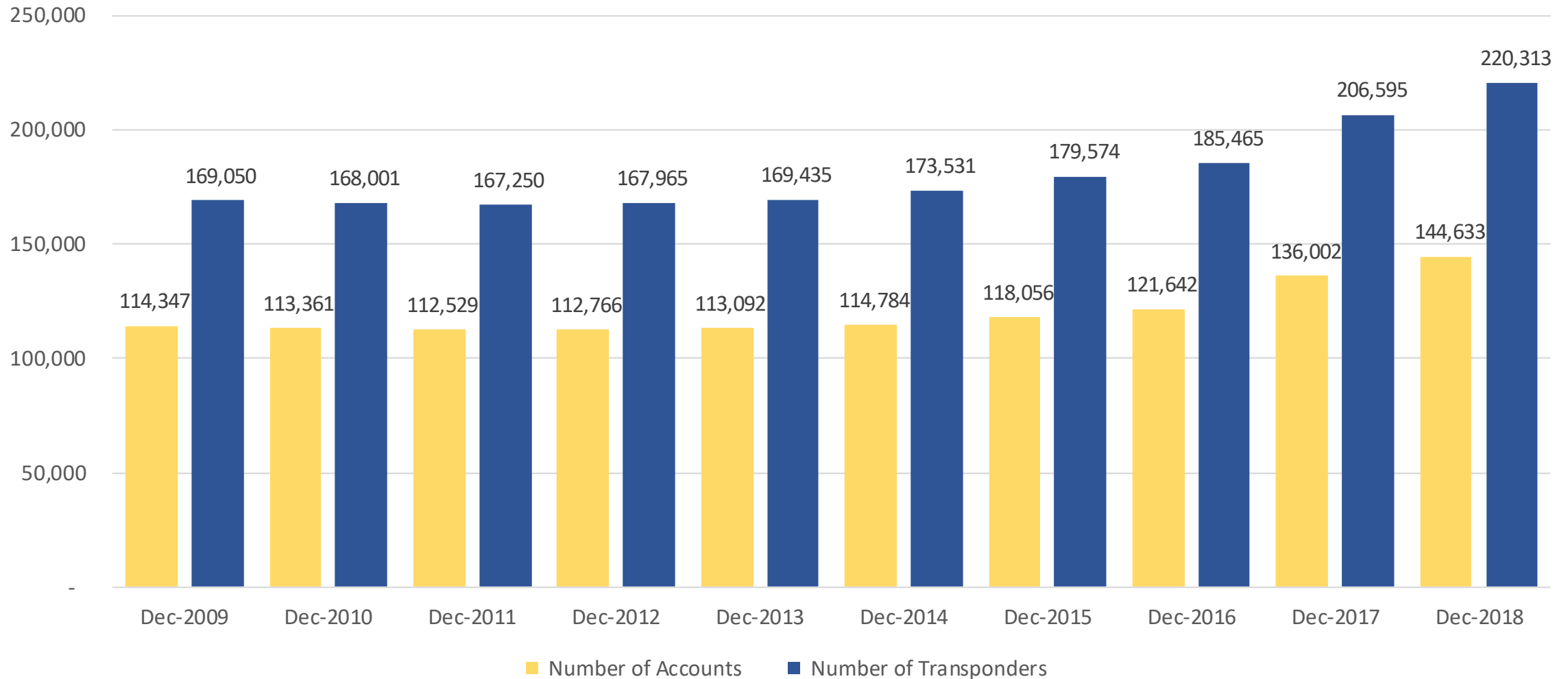
Outstanding Debt Totals \$97.8 Million

Net Revenues Versus Annual Debt Service



* 91 Express Lanes total revenues less operating expenses.

Number of Accounts and Transponders



Upcoming Events

- Open new Customer Service Center in Corona
- Upgrade back-office system
- Rollout new account structures
- Distribute new 6C transponders
- Seek Board of Directors approval for release of the Back-Office System/Customer Service Center request for proposals

