



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel
Donald P. Wagner

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

Wednesday, November 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

There are no Special Calendar matters.



Consent Calendar (Items 2 through 12)

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

2. Approval of Minutes

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

3. Fiscal Year 2019 Triennial Review

Janet Sutter

Overview

The Federal Transit Administration has completed the Fiscal Year 2019 Triennial Review of the Orange County Transportation Authority. The purpose of the review is to evaluate compliance with grant requirements and management practices as they relate to the use of federal funds. No deficiencies were found in any of the 21 areas reviewed.

Recommendation

Receive and file the Fiscal Year 2019 Triennial Review as an information item.

4. Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of compliance with regulations, policies, and procedures governing compensation and mileage reimbursements to members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures are adequate; however, one recommendation was made to enhance policy and procedures to address all payments and payees, and to be consistent with regulations.

Recommendation

Direct staff to implement one recommendation provided in Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513.



5. **Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2019**
Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2019. Based on the audit, the Orange County Transportation Authority complied with its investment policies; however, the Internal Audit Department identified an error in the Second Quarter 2019 Investment and Debt Report and observed that the investment compliance schedule does not reflect all investments and bond indenture requirements.

Recommendation

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2019, Internal Audit Report No. 20-502.

6. **Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project**
Serena Ng/Janet Sutter

Overview

The Internal Audit Department has completed an audit of oversight controls and contract compliance related to the Orange Transportation Center Parking Structure Project. Based on the audit, procurements were handled in accordance with policies and procedures, status monitoring and reporting controls are operating, and consultants are providing services in accordance with their contracts. However, the Internal Audit Department recommends improvements to contract language addressing force account payments, preparation of independent cost estimates, and construction management consultant oversight of change orders. The Internal Audit Department is also making recommendations related to adequate labor timekeeping systems for consultants, as well as procedures to ensure compliance with requirements for federally-funded assets.

Recommendation

Direct staff to implement three recommendations provided in Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project, Internal Audit Report No. 19-508.



7. 91 Express Lanes Update for the Period Ending September 30, 2019
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, traffic volumes and toll revenues have fluctuated with the changes in the economy and the additional capacity added to the State Route 91 corridor. Over the last quarter, there have been approximately 4.6 million trips taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending September 30, 2019.

Recommendation

Receive and file as an information item.

8. Fiscal Year 2019-20 First Quarter Grant Reimbursement Status Report
Sam Kaur/Andrew Oftelie

Overview

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of July through September 2019.

Recommendation

Receive and file as an information item.

9. Update on the Loan Agreements with the Cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board
Sam Kaur/Andrew Oftelie

Overview

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. Per Board of Directors' direction, staff provides annual updates on the status of the agreements.

Recommendation

Receive and file as an information item.



- 10. Orange County Employees Retirement System Early Payment for Fiscal Year 2020-21**
Robert Davis/Andrew Oftelie

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 4.5 percent if they elect to prepay their contributions for fiscal year 2021. Advance payments must be received before January 15, 2020. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option will total approximately \$570,000.

Recommendation

Authorize the early payment of approximately \$28.9 million by January 15, 2020, to the Orange County Employees Retirement System, for member contributions for fiscal year 2020-21.

- 11. Environmental Mitigation Program Endowment Fund Investment Report for September 30, 2019**
Robert Davis/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached are the quarterly investment reports for the Endowment Pool for the period ending September 30, 2019. The reports have been reviewed and are consistent with the pool objectives.

Recommendation

Receive and file as an information item.



12. Agreement for Cloud Disaster Recovery Solution
Michael Beerer/Andrew Oftelie

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2019-20 Budget, the Orange County Transportation Authority's Board of Directors approved expenditures for a cloud disaster recovery solution. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures for materials and equipment. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1543 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technologent, in the amount of \$985,638, for a cloud disaster recovery solution for a five-year term.

Regular Calendar

13. Fiscal Year 2018-19 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements
Changsu Lee/Andrew Oftelie

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Crowe LLP, an independent accounting firm, has completed its annual audit of Orange County Transportation Authority's Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements for fiscal year 2018-19.

Recommendation

Receive and file the fiscal year 2018-19 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements.



14. Reserve Policy
Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority is committed to prudent fiscal management and maintaining the ability to fund its programs and services during times of economic uncertainty. Orange County Transportation Authority has a history of maintaining reserves to mitigate the impacts of financial risks to the programs operated by the Orange County Transportation Authority. The goal of this policy is to formalize the existing reserve policy for those programs and include them in one document for clarity and transparency.

Recommendation

Adopt the Reserve Policy and implement the policy in current and future financial plans.

Discussion Items

15. Chief Executive Officer's Report

16. Committee Members' Reports

17. Closed Session

There are no Closed Session items scheduled.

18. Adjournment

The **10:30 a.m. on Wednesday, December 11, 2019**, meeting of the Finance and Administration Committee has been **cancelled**.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 8, 2020**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room – Conference Room 07, Orange, California.



Committee Members Present

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

Staff Present

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

Committee Members Absent

Donald P. Wagner

Call to Order

The October 23, 2019, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

Pledge of Allegiance

Committee Vice Chairman R. Murphy 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 11)

2. Approval of Minutes

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Hernandez, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of September 25, 2019.

3. Fiscal Year 2019-20 Internal Audit Plan, First Quarter Update

Committee Chairman Hennessey pulled this item to inquire if there was anything the F&A Committee needed to be concerned about on the update and if the Internal Audit Department received full cooperation from staff.



3. (Continued)

Janet Sutter, Executive Director of Internal Audit, responded that the Internal Audit department had a good quarter with lots of cooperation. Ms. Sutter stated there is not anything to note in the quarterly update.

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

4. Property Insurance Policy Renewal

Committee Chairman Hennessey and Director Steel pulled this item.

Committee Chairman Hennessey inquired on the market trend of 20 to 40 percent increase for insurance policies renewing this year.

Al Gorski, Department Manager of Risk Management, responded that the Orange County Transportation Authority's (OCTA) Broker of Record is Marsh Risk and Insurance Services, Inc. (Marsh) and introduced Craig Morris, Senior Vice President of Marsh, who discussed the possible trends that are causing the increase in premiums.

Director Steel inquired on what services OCTA receives from Marsh for paying an annual fee of \$100,000.

Mr. Gorski responded there are several points of advice that OCTA receives from Marsh. These include insurance requirements for the contractors, baseline information; the staff also depends on Marsh to provide trends in the market. For example, OCTA staff is currently working on the cyber renewal policy with coverage of \$10 million dollars. Additionally, Marsh has seen the market level increase to \$15 million dollars, and OCTA is considering that amount.

A motion was made by Director Steel, seconded by Director Do, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44100, in an amount not to exceed \$550,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2019 to December 1, 2020.



5. Fiscal Year 2018-19 Fourth Quarter Budget Status Report

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

6. State Transit Assistance Fund and Senate Bill 1 State of Good Repair Claims for Fiscal Year 2019-20

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Hernandez, and declared passed by those present, to:

- A. Adopt Resolution No. 2019-079 to authorize the filing of State Transit Assistance Fund claims, in the amount of revised estimate of \$38,396,928, or up to the actual allocation published by the State Controller's Office, to support public transportation.
- B. Authorize the filing of Senate Bill 1 State of Good Repair claims, in the amount of the revised estimate of \$5,933,032, or up to the actual allocation published by the State Controller's Office, to help sustain and upgrade the Orange County Transportation Authority's bus system.

7. 2019 Measure M2 Sales Tax Forecast

Committee Chairman Hennessey pulled this item to inquire on the 2.2 percent increase in Sales Tax.

Andrew Oftelie, Chief Financial Officer (CFO), stated the increase is based on a combination of factors, including the California Department of Tax and Fee Administration's (CDTFA) implementation of Assembly Bill 147 (AB 147). AB 147 provides essential direction to state law for the United States Supreme Court's *Dakota v. Wayfair, Inc.*, decision in California, and this is more attributable to the increase from \$13.1 billion to \$13.4 billion. Additionally, the delay in receipts from the CDTFA last year, at this time, staff showed a negative growth rate based on the actuals that OCTA had received from CDTFA.

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



8. Orange County Transportation Authority Investment and Debt Programs Report - September 2019

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

9. First Quarter Fiscal Year 2019-20 Procurement Status Report

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

10. New York Meetings Update - September 2019

Committee Chairman Hennessey pulled this item to report on the annual New York rating agencies trip and highlighted the compliments received by the rating agencies about the 91 Express Lanes.

Committee Chairman Hennessey inquired if there were any updates from the rating agencies.

Andrew Oftelie, CFO, responded that there had been no official actions by any of the rating agencies. However, Moody's representatives stated they were considering a review of OCTA in the coming months. He stated that OCTA's goal for this trip was to reaffirm or maintain the high ratings that OCTA already had. Also, based on the criteria of the rating agencies, OCTA's ratings are as high as possible for both Measure M and the 91 Express Lanes.

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

11. Agreement for Budget and Forecasting Software

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Hernandez, and declared passed by those present, to:

- A. Approve the selection of Clarity Partners, LLC, as the firm to provide budget and forecasting software.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1083 between the Orange County Transportation Authority and Clarity Partners, LLC, in the amount of \$536,067, for a term of three years with two, two-year option terms to provide budget and forecasting software.



Regular Calendar

12. Contractor Selection for the Back-Office System and Customer Service Center Operations for the 91 Express Lanes in Orange and Riverside Counties

Kirk Avila, General Manager of the 91 Express Lanes, provided a PowerPoint on the following:

- Background;
- Modernizing the 91 Express Lanes-Toll Lane Systems Integrator Services, Back-Office System/Customer Service Center Procurement, Roadway Services Procurement;
- Procurement Includes: Back-Office System, Customer Service Center, Other Operational Functions;
- Procurement Process;
- Cofiroute USA, LLP Proposed Cost;
- Recommendations, and
- Next Steps.

Committee Chairman Hennessey inquired why only 20 percent of the proposal was the price.

Mr. Avila responded in consultation with OCTA's project management consultant HNTB, the Riverside County Transportation Commission (RCTC), and OCTA's contracts department, staff reviewed the industry standards, and pricing was at the 20 percent level.

Committee Chairman Hennessey inquired what agencies were on the interview panel.

Mr. Avila stated the panel was made up of representatives from OCTA, RCTC, the Los Angeles County Metropolitan Transportation Authority, and San Diego Metropolitan Transit System.

A motion was made by Director Hernandez, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

- A. Approve the selection of Cofiroute USA, LLC., as the firm to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1177 among the Orange County Transportation Authority, Riverside County Transportation Commission, and Cofiroute USA, LLC., in the amount of \$72,982,804, to provide the back-office system and customer service center operations services for the 91 Express Lanes in Orange and Riverside counties, for an initial term of seven years with two three-year option terms. The designated share for the Orange County Transportation Authority will be \$35,420,566.



Discussion Items

13. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, reported on the following:

Beach Boulevard Corridor Study (Study):

- OCTA is in the final round of collecting public feedback for the Study.
- Comments can be submitted online now through October 26th at octa.net/beachstudy.
- The Study will be completed in February 2020.

25th Annual Economic Forecast:

- On October 30th, the California State University Fullerton and the Orange County Business Council are hosting their 25th annual Economic Forecast in Irvine.
- He, along with, Andrew Oftelie and Directors Bartlett, Davies, Hennessey, Hernandez, and R. Murphy will be attending.
- The program starts at 11:30 a.m. and registration is at 11:00 a.m.

14. Committee Members' Reports

There were no Committee Members' Reports.

15. Closed Session

There were no Closed Session items scheduled.



16. Adjournment

The meeting adjourned at 11:03 a.m.

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

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



November 13, 2020

To: Finance and Administration Committee

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

Subject: Fiscal Year 2019 Triennial Review

Overview

The Federal Transit Administration has completed the Fiscal Year 2019 Triennial Review of the Orange County Transportation Authority. The purpose of the review is to evaluate compliance with grant requirements and management practices as they relate to the use of federal funds. No deficiencies were found in any of the 21 areas reviewed.

Recommendation

Receive and file the Fiscal Year 2019 Triennial Review as an information item.

Background

United States Code, Chapter 53 of Title 49, requires the Federal Transit Administration (FTA) of the United States Department of Transportation to perform reviews and evaluations of Urbanized Area Formula Grant activities at least every three years. The Orange County Transportation Authority's (OCTA) last review was conducted in 2016. The purpose of the triennial review is to evaluate the performance of a grant recipient in carrying out the recipient's program, specifically as it relates to compliance with statutory and administrative requirements. The triennial review consists of a review of compliance in 21 different grant-related management areas.

Discussion

FTA's Region IX office contracted with Qi Tech, LLC (reviewers) to perform the Fiscal Year (FY) 2019 Triennial Review. OCTA provided information and documentation ahead of the on-site visit in September 2019.

OCTA was found fully compliant in all 21 areas reviewed.

The reviewers were complimentary of several areas; specifically, procurement, vehicle and facilities maintenance, subrecipient oversight, grant drawdown documentation, and the Americans with Disabilities Act appeals process. The reviewers also described OCTA's Disadvantaged Business Enterprise program as a model program and the Title VI program as very strong. Finally, the reviewers praised OCTA staff, noting the inter-divisional cooperation among them and the willingness of staff to go "above and beyond."

Summary

The FTA has issued its FY 2019 Triennial Review Report, finding OCTA fully compliant in all 21 areas reviewed.

Attachments

- A. Final Report Fiscal Year 2019 Triennial Review of the Orange County Transportation Authority (OCTA) Orange, CA Recipient ID: 1682

Prepared by:



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

FINAL REPORT

FISCAL YEAR 2019
TRIENNIAL REVIEW

of

**Orange County Transportation Authority
(OCTA)
Orange, CA
ID: 1682**

Performed for:

**U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION
REGION IX**

Prepared by:

**Advanced Systems Technology & Management, Inc.
under subcontract to Qi Tech, LLC**

**Scoping Meeting Date: June 10, 2019
Site Visit Date: September 10-12, 2019
Final Report Date: October 31, 2019**

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I. Executive Summary

This report documents the Federal Transit Administration's (FTA) Triennial Review of the Orange County Transportation Authority (OCTA) in Orange, California. FTA wants to ensure that awards are administered in accordance with the requirements of Federal Public Transportation Law 49 U.S.C. Chapter 53. The review was performed by Advanced Systems Technology and Management, Inc. (AdSTM), under subcontract to Qi Tech, LLC. During the site visit, administrative and statutory requirements were discussed and documents were reviewed. OCTA's transit facilities were toured to provide an overview of activities related to FTA-funded projects.

The Triennial Review focused on OCTA's compliance in 21 areas. No deficiencies were found in any of the areas.

Review Area	Deficiencies	
	Code	Description
No Deficiencies		

II. Review Background and Process

1. Background

The United States Code, Chapter 53 of Title 49 (49 U.S.C. 5307(f) (2)) requires that “At least once every three years, the Secretary shall review and evaluate completely the performance of a grantee in carrying out its program, specifically referring to compliance with statutory and administrative requirements.” This Triennial Review was performed in accordance with FTA procedures (published in FTA Order 9010.1B, April 5, 1993).

The Triennial Review includes a review of the recipient’s compliance in 21 areas. The basic requirements for each of these areas are summarized in Section IV.

This report presents the findings from the Triennial Review of OCTA. The review concentrated on procedures and practices employed during the past three years; however, coverage was extended to earlier periods as needed to assess the policies in place and the management of award funds. The specific documents reviewed and referenced in this report are available at FTA’s regional office or the recipient’s office.

2. Process

The Triennial Review process includes a pre-review assessment, a review scoping meeting with the FTA regional office, and an on-site visit to the recipient’s location. A Recipient Information Request (RIR) package was sent to OCTA advising it of the review and site visit, and containing a list of items and questions that the recipient was required to submit to the reviewer. The review scoping meeting was conducted with the Region IX Office on June 10, 2019. Necessary files retained by the regional office were sent to the reviewer electronically. A Site Visit Agenda package was sent to OCTA advising it of the site visit date and indicating information that would be needed and issues that would be discussed. The site visit to OCTA occurred on September 10-12, 2019.

The onsite portion of the review began with an entrance conference, at which the purpose of the Triennial Review and the review process were discussed. The remaining time was spent discussing administrative and statutory requirements and reviewing documents. The reviewers visited OCTA’s Anaheim and Santa Ana Operations and Maintenance Bases to obtain an overview of activities related to FTA-funded projects. A subrecipient visit to the Anaheim Regional Transportation Intermodal Center (ARTIC) was also included in the review. The reviewers examined a sample of maintenance records for FTA-funded vehicles and equipment.

Upon completion of the review, FTA and the reviewers provided a summary of preliminary findings to OCTA at an exit conference. Section VI of this report lists the individuals participating in the review.

3. Metrics

The metrics used to evaluate whether a recipient is meeting the requirements for each of the areas reviewed are:

- *Not Deficient*: An area is considered not deficient if, during the review, no findings were noted with the recipient's implementation of the requirements.
- *Deficient*: An area is considered deficient if any of the requirements within the area reviewed were not met.
- *Not Applicable*: An area can be deemed not applicable if, after an initial assessment, the recipient does not conduct activities for which the requirements of the respective area would be applicable.

III. Recipient Description

1. Organization and Services

OCTA provides transit service throughout Orange County, California. OCTA was formed on June 20, 1991 with the consolidation of the Orange County Transit District, Orange County Transportation Commission, Orange County Local Transportation Authority, Orange County Service Authority for Freeway Emergencies, Orange County Service Authority for Abandoned Vehicles, Orange County Consolidated Transportation Services Agency, and the Orange County Congestion Management Agency.

An 18-member Board of Directors governs OCTA. Five representatives are from the Orange County Board of Supervisors, and ten members are from the individual municipalities within the county. Board members select two public members, and one ex-officio member is from Caltrans District 12. The Board hires a Chief Executive Officer to oversee the management and operations of OCTA.

OCTA is responsible for planning and implementing fixed-route, paratransit, and vanpool transportation services. OCTA also administers the Master Plan for arterial highways, area highways, transit ways, high occupancy vehicle lanes, and the 91 Express Lanes toll roads. OCTA's service area is 797 square miles with a population of 3.2 million.

OCTA operates a network of 68 fixed routes. Service is provided weekdays from 3:50 a.m. to 2:17 a.m., Saturdays from 3:55 a.m. to 2:02 a.m., and Sundays from 3:57 a.m. to 2:02 a.m. The recipient's complementary paratransit service, known as ACCESS, operates during the same days and hours of service as the fixed routes.

The basic adult fare for bus service is \$2.00. A reduced fare of \$0.75 is offered to seniors ages 60 and older, persons with disabilities, and Medicare cardholders during all hours. An ACCESS-eligible fixed-route local fare of \$0.25 is offered to riders holding valid ACCESS ID cards. The fare for ADA paratransit service is \$3.60.

OCTA operates a fleet of 526 buses for fixed-route service. Its bus fleet consists of standard and CNG-powered 40- and 60-foot transit coaches and minibuses. The current peak requirement is for 436 vehicles. OCTA also has a fleet of 248 cutaways operated by MV Transportation, Inc. for the ACCESS ADA paratransit service.

OCTA operates from six maintenance and operation facilities located as follows: Garden Grove Bus Operations and Maintenance Base, Garden Grove Annex, Anaheim Bus Operations and Maintenance Base, Santa Ana Bus Operations and Maintenance Base, Irvine-Construction Circle Bus Operations and Maintenance Base, and Irvine-Sand Canyon Bus Operations and Maintenance Base. Its service is oriented around seven transit centers as follows: Golden West Transportation Center, Fullerton Park & Ride, Fullerton Transportation Center, Brea Park & Ride, Newport Transportation Center, Laguna Hills Transit Transportation Center, and the Laguna Beach Bus Station Transportation Center in downtown.

2. Award and Project Activity

Below is a list of OCTA's open awards at the time of the review.

Award Number	Award Amount	Year Executed	Description
CA-2019-018-00	\$148,955,409	2018	OC Streetcar: Santa Ana/Garden Grove FFGA
CA-32-X113-04	\$13,962,490	2012	JARC Mobility Mgmt Operating PA
CA-04-0122-00	\$4,845,999	2009	FY09 Sec 5309 Bus Application
CA-04-0078-00	\$7,021,300	2008	FY08 Sec 5309 Bus Application
CA-95-X210-00	\$12,669,000	2012	CMAQ AnaCyn Stn PE Rideshare Cap Lease
CA-90-Z027-00	\$53,878,508	2013	PM Ops Asst Contract Svc Bus Replacement
CA-05-0269-00	\$6,000,000	2012	CP 4 th St & Slope Stabilization
CA-95-X254-00	\$5,656,999	2012	CMAQ Shuttle Service, Rideshare
CA-2016-032-00	\$55,400,721	2016	FY15 5307 Ops Asst Cont Svc Bus Cap PTC
CA-90-Y942-01	\$57,746,965	2012	PM Bus Rep. Rail Control and Rehab.
CA-95-X286-00	\$6,621,000	2014	CMAQ/RSTP LN-SJC Siding & LN-MV Sta
CA-95-X131-00	\$2,102,650	2010	FY10 RSTP Fund Transfer for SARTC/FTC
CA-2017-072-00	\$31,567,405	2017	17 CMAQMEGA1-Const and OC Streetcar De
CA-90-Z174-00	\$55,129,190	2014	PM, Ops Asst. Cont Svc Cap Cost Con

Projects Completed

During the review period, OCTA completed the following noteworthy projects:

- Anaheim Regional Transportation Intermodal Center (ARTIC)
- Environmental/design phase and award of FFGA for the OC Streetcar.

Ongoing Projects

OCTA is currently implementing the following noteworthy projects:

- Construction of the OC Streetcar Project under New Starts
- Design-build of the I-405 Freeway Improvement Project
- Deployment of hydrogen fuel cell buses and infrastructure.

Future Projects

OCTA plans to pursue the following noteworthy projects in the next three to five years:

- Upgrade the fare collection system
- Replace fareboxes (Grant request)

- Procure and deploy up to 299, 40-foot alternative fuel buses
- Replace 116 ACCESS paratransit buses (Grant request)
- Procure and deploy up to 10 battery electric buses and charging infrastructure (Grant request)
- Replace 55 Operator Relief Vehicles (Grant request)
- Construct the Transit Security and Operations Center (Grant request)
- Repower 20 articulated buses (Grant request)
- Revitalize Newport Transportation Center (Grant request)
- Complete the SR-55 freeway improvement project (Grant request).

IV. Results of the Review

1. Legal

Basic Requirement: The recipient must promptly notify the FTA of legal matters and additionally notify the U.S. DOT Office of Inspector General (OIG) of any instances relating to false claims under the False Claims Act or fraud. Recipients must comply with restrictions on lobbying requirements.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Legal.

2. Financial Management and Capacity

Basic Requirement: The recipient must have financial policies and procedures; an organizational structure that defines, assigns, and delegates authority; and financial management systems in place to match, manage, and charge only allowable cost to the award. The recipient must conduct required single audits and provide financial oversight of subrecipients.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Financial Management and Capacity.

3. Technical Capacity – Award Management

Basic Requirement: The recipient must report progress of projects in awards to the FTA timely.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Technical Capacity – Award Management.

4. Technical Capacity – Program Management and Subrecipient Oversight

Basic Requirement: The recipient must follow the public involvement process for transportation plans; develop and submit a State Management Plan to the FTA for approval; report in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) on subawards; and ensure subrecipients comply with the terms of the award.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Technical Capacity – Program Management and Subrecipient Oversight.

5. Technical Capacity – Project Management

Basic Requirement: The recipient must be able to implement FTA-funded projects in accordance with the award application, FTA Master Agreement, and all applicable laws and regulations, using sound management practices; and prepare force account plans.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Technical Capacity – Project Management.

6. Transit Asset Management

Basic Requirement: Recipients must comply with 49 CFR Part 625 to ensure public transportation providers develop and implement transit asset management (TAM) plans. Recipients' TAM plans must include an asset inventory, condition assessments of inventoried assets, and a prioritized list of investments to improve the state of good repair of their capital assets.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Transit Asset Management.

7. Satisfactory Continuing Control

Basic Requirement: The recipient must ensure that FTA-funded property will remain available to be used for its originally authorized purpose throughout its useful life until disposition.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Satisfactory Continuing Control.

8. Maintenance

Basic Requirement: Recipients must keep federally funded vehicles, equipment, and facilities in good operating condition. Recipients must keep ADA accessibility features on all vehicles, equipment, and facilities in good operating order.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Maintenance.

9. Procurement

Basic Requirement:

States: When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with 2 CFR §200.322 (*Procurement of Recovered Materials*) and ensure that every purchase order or other contract includes any clauses required by section 2 CFR §200.326 (*Contract Provisions*). All other non-Federal entities, including subrecipients of a state, will follow 2 CFR §§200.318 (*General Procurement Standards*) through 200.326 (*Contract Provisions*).

Non-state recipients: The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, and conform to applicable Federal law and the standards identified in 2 CFR Part 200.

Where FTA funds are used in procurements for services or supplies, or where FTA-funded facilities or assets are used in revenue contracts, FTA Circular 4220.1F applies. FTA funds, even operating assistance, can be segregated from local funds. FTA Circular 4220.1F does not apply to wholly locally funded capital procurements.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Procurement.

10. Disadvantaged Business Enterprise (DBE)

Basic Requirement: Recipients must comply with 49 CFR Part 26 to ensure nondiscrimination in the award and administration of US DOT-assisted contracts. Recipients also must create a level playing field on which DBEs can compete fairly for US DOT-assisted contracts.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the US DOT requirements for DBE.

11. Title VI

Basic Requirement: The recipient must ensure that no person shall, on the grounds of race, color, or national origin, be excluded from participating in, or be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance without regard to whether specific projects or services are federally funded. The recipient must ensure that all transit services and related benefits are distributed in an equitable manner.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Title VI.

12. Americans With Disabilities Act (ADA) – General

Basic Requirement: Titles II and III of the ADA of 1990 provide that no entity shall discriminate against an individual with a disability in connection with the provision of transportation service. The law sets forth specific requirements for vehicle and facility accessibility and the provision of service, including complementary paratransit service.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the US DOT requirements for ADA – General.

13. ADA – Complementary Paratransit

Basic Requirement: Under 49 CFR 37.121(a), each public entity operating a fixed-route system shall provide paratransit or other special service to individuals with disabilities that is comparable to the level of service provided to individuals without disabilities who use the fixed-route system. “Comparability” is determined by 49 CFR 37.123-37.133. Requirements for complementary paratransit do not apply to commuter bus, commuter rail, or intercity rail systems.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the US DOT requirements for ADA – Complementary Paratransit.

14. Equal Employment Opportunity

Basic Requirement: The recipient must ensure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, age, or disability be excluded from participating in, or denied the benefits of, or be subject to discrimination in employment under any project, program, or activity receiving Federal financial assistance under the Federal transit laws. (Note: Equal Employment Opportunity Commission’s regulation only identifies/recognizes religion and not creed as one of the protected groups.)

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Equal Employment Opportunity.

15. School Bus

Basic Requirement: Recipients are prohibited from providing school bus service in competition with private school bus operators unless the service qualifies and is approved by the FTA Administrator under an allowable exemption. Federally funded equipment or facilities cannot be used to provide exclusive school bus service.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for School Bus.

16. Charter Bus

Basic Requirement: Recipients are prohibited from using federally funded equipment and facilities to provide charter service if a registered private charter operator expresses interest in providing the service. Recipients are allowed to operate community-based charter services excepted under the regulations.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Charter Bus.

17. Drug-Free Workplace Act

Basic Requirement: Recipients are required to maintain a drug-free workplace for all award-related employees; report any convictions occurring in the workplace timely; and have an ongoing drug-free awareness program.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Drug-Free Workplace Act.

18. Drug and Alcohol Program

Basic Requirement: Recipients receiving Section 5307, 5309, 5311, or 5339 funds that have safety-sensitive employees must have a drug and alcohol testing program in place for such employees.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Drug and Alcohol Program.

19. Section 5307 Program Requirements

Basic Requirements: For fixed-route service supported with Section 5307 assistance, fares charged seniors, persons with disabilities or an individual presenting a Medicare card during off peak hours will not be more than one half the peak hour fares. Recipients are expected to have a written, locally developed process for soliciting and considering public comment before raising a fare or carrying out a major transportation service reduction. Recipients shall develop, publish, afford an opportunity for a public hearing on, and submit for approval, a program of projects (POP). Recipients must annually certify that they are spending at least one percent of such funds for transit security projects or that such expenditures for security systems are not necessary. Recipients must ensure that least one percent of such funds are expended on associated transit enhancement projects.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Section 5307 Program Requirements.

20. Section 5310 Program Requirements

Basic Requirement: Recipients must expend funds on eligible projects that meet the specific needs of seniors and individuals with disabilities. Projects selected for funding under the Section 5310 program must be included in a locally developed, coordinated public transit-human services transportation plan. Recipients must approve all leases of Section 5310-funded vehicles and ensure that leases include required terms and conditions. Either the recipient or subrecipient must hold title to the leased vehicles.

Finding: During this Triennial Review of OCTA, no deficiencies were found with the FTA requirements for Section 5310 Program Requirements.

21. Section 5311 Program Requirements

Basic Requirement: Recipients must expend funds on eligible projects to support rural public transportation services and intercity bus transportation.

This section only applies to recipients that receive Section 5311 funds directly from FTA; therefore, the requirements are not applicable to the review of OCTA.

V. Summary of Findings

Review Area	Finding	Deficiency Code(s)	Corrective Action	Response Due Date	Date Closed
1. Legal	ND				
2. Financial Management and Capacity	ND				
3. Technical Capacity – Award Management	ND				
4. Technical Capacity – Program Management and Subrecipient Oversight	ND				
5. Technical Capacity – Project Management	ND				
6. Transit Asset Management	ND				
7. Satisfactory Continuing Control	ND				
8. Maintenance	ND				
9. Procurement	ND				
10. Disadvantaged Business Enterprise	ND				
11. Title VI	ND				
12. Americans With Disabilities Act (ADA) - General	ND				
13. ADA – Complementary Paratransit	ND				
14. Equal Employment Opportunity	ND				
15. School Bus	ND				
16. Charter Bus	ND				
17. Drug-Free Workplace Act	ND				
18. Drug and Alcohol Program	ND				
19. Section 5307 Program Requirements	ND				
20. Section 5310 Program Requirements	ND				
21. Section 5311 Program Requirements	NA				

VI. Attendees

Name	Title	Phone Number	E-mail Address
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Darrell E. Johnson	Chief Executive Officer	714-560-5343	djohnson@octa.net
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Name	Title	Phone Number	E-mail Address
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Eva Montejano	Asst. Property Manager, Artic	714-385-5107	emontejano@articmgmt.com
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Thomas Morton	Executive Director	714-765-8920	tmorton@anaheim.net
<i>Contractors</i>			
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<i>FTA (via teleconference)</i>			
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VII. Appendices

No appendices included in this report.



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513

Overview

The Internal Audit Department has completed an audit of compliance with regulations, policies, and procedures governing compensation and mileage reimbursements to members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures are adequate; however, one recommendation was made to enhance policy and procedures to address all payments and payees, and to be consistent with regulations.

Recommendation

Direct staff to implement one recommendation provided in Board Member Compensation, Mileage Reimbursements, and Training, Internal Audit Report No. 19-513.

Background

To ensure compliance with Public Utilities Code Section 130108.5 and Government Code Sections 53232 and 53234 through 53237.5, the Orange County Transportation Authority (OCTA) has developed written policy and procedures for compensation, mileage reimbursements, and required training for members of the Board of Directors (Board). Policies and procedures are outlined in the Personnel and Salary Resolution (P&SR), the Policy for Compensation, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors (Policy), and desk procedures developed by the Clerk of the Board (COB) for processing payments and tracking training.

Board members, and former Board members representing OCTA on outside agency boards, may receive compensation in the amount of \$100 per day, not to exceed \$500 per month, for attending OCTA-related business activities. Board members, except County of Orange Supervisors, also receive mileage reimbursement for travel to/from OCTA business activities.

Each Board member is required to receive at least two hours of training in general ethics principles and ethics laws relevant to public service within the first year of taking office and every two years thereafter, and at least two hours of sexual harassment prevention training and education within the first six months of taking office and every two years thereafter. OCTA provides information on training available to members of the Board at least once, in writing, prior to assuming office and every two years thereafter. The COB maintains copies of training certificates.

Discussion

The P&SR, Policy, and desk procedures should be enhanced to address all payments and payees, and to be consistent with regulations. Internal Audit recommends that management update policies and procedures to address all applicable payments and payees and to require training of all compensated persons representing OCTA on boards and/or committees. Further, Internal Audit recommends that the Policy be provided to Board members, and former Board members representing OCTA, upon update and on a periodic basis. Management agreed and indicated that procedures will be updated and distributed, and the P&SR will be updated and presented for Board approval with the fiscal year 2020-21 budget.

Summary

Internal Audit has completed an audit of Board member compensation, mileage reimbursements, and training, and offered one recommendation for improvement to policy and procedures.

Attachment

- A. Board Member Compensation, Mileage Reimbursements, and Training,
Internal Audit Report No. 19-513

Prepared by:



Gabriel Tang
Principal Internal Auditor
(714) 560-5384

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Board Member Compensation, Mileage Reimbursements, and Training

Internal Audit Report No. 19-513

October 31, 2019



Performed by:

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

Distributed to:

Laurena Weinert, Clerk of the Board
Olga Prado, Maggie McJilton

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
October 31, 2019**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
October 31, 2019**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of compliance with regulations, policies, and procedures governing compensation and mileage reimbursements to members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures are adequate; however, one recommendation was made to enhance written policy and procedures.

Background

Regulations, Policy, and Procedures

To ensure compliance with Public Utilities Code Section 130108.5, and Government Code Sections 53232 and 53234 through 53237.5, the Orange County Transportation Authority (OCTA) has developed written policies and procedures for compensation, mileage reimbursements, and required training for members of the Board of Directors (Board). Policies and procedures are outlined in the Personnel and Salary Resolution (P&SR), the Policy for Compensation, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors (Policy), and desk procedures developed by the Clerk of the Board (COB) for processing payments and tracking training.

Compensation and Reimbursement of Expenses

Board members, and former Board members representing OCTA on outside agency boards, may receive compensation in the amount of \$100 per day, not to exceed \$500 per month, for attending OCTA-related business activities. Board members, except County of Orange Supervisors, also receive mileage reimbursement for travel to/from OCTA business activities.

Ethics Training and Sexual Harassment Prevention Training and Education

Each member of the Board of Directors is required to receive at least two hours of training in general ethics principles and ethics laws relevant to public service within the first year of taking office and every two years thereafter, and at least two hours of sexual harassment prevention training and education within the first six months of taking office and every two years thereafter.

OCTA provides information on training available to members of the Board at least once, in writing, prior to assuming office and every two years thereafter. The COB maintains copies of training certificates.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
October 31, 2019**

Objectives, Scope, and Methodology

The objectives were to evaluate and test controls in place to ensure compliance with regulations, policies, and procedures related to Board member compensation, mileage reimbursement, and training.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control, in the broadest sense, encompasses the plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls significant within the context of the audit objectives were evaluated as part of this audit.

The methodology consisted of review of OCTA policies and procedures for consistency and compliance with relevant regulations and verification that policies are communicated to Board members; evaluation and testing of controls over the tracking and processing of Board member compensation and mileage reimbursements; and evaluation and testing of controls to ensure compliance with training requirements.

The scope was limited to regulations, policies and procedures related to Board member compensation, mileage reimbursement, and training. The scope did not include review of Board member benefits or travel expense reimbursements as these processes are included in other audits. Testing included a haphazard sample of eight months during fiscal years (FY) 2018 and 2019 of Board member compensation and mileage reimbursements to ensure compliance with regulations, policies, and procedures. Since the sample was non-statistical, any conclusions are limited to the sample items tested. The scope also included tracing training documentation for all Board members to the Board Members Ethics Training and Sexual Harassment Prevention Training and Education logs for FYs 2017-18 and 2018-19, to determine the completeness of logs and compliance with requirements.

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Board Member Compensation, Mileage Reimbursements, and Training
October 31, 2019**

Audit Comment, Recommendation, and Management Response

Policy and Procedures

The P&SR, Policy, and desk procedures should be enhanced to address all payments and payees, and to be consistent with regulations, as follows:

- The Policy addresses Board member compensation and reimbursement of expenses, but not former Board member compensation and reimbursement of expenses (e.g. when assigned to represent OCTA on outside agency boards);
- The P&SR does not address Board member, or former Board member, compensation;
- The written Policy is not provided to Board members (and applicable former Board members representing OCTA) when revised and/or on a periodic basis;
- The Policy does not require former Board members representing OCTA on outside agency boards to obtain required training.

Recommendation 1:

Internal Audit recommends that management update policies and procedures to address all applicable payments and payees, and to require training of all compensated persons representing OCTA on boards and/or committees, and to ensure proper communication of policies to Board members, and former Board members representing OCTA, on a periodic basis.

Management Response (COB):

Management concurs with Internal Audit's recommendation. The Policy will be revised and provided to all applicable Board members and former Board members by December 2019, upon update, and annually thereafter.

Revisions to the language in the P&SR will be made and presented for Board approval with the FY 2020-21 budget.



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2019

Overview

The Internal Audit Department has completed an audit of investments for the period January 1 through June 30, 2019. Based on the audit, the Orange County Transportation Authority complied with its investment policies; however, the Internal Audit Department identified an error in the Second Quarter 2019 Investment and Debt Report and observed that the investment compliance schedule does not reflect all investments and bond indenture requirements.

Recommendation

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2019, Internal Audit Report No. 20-502.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA's) Investment Portfolio (Portfolio). On June 30, 2019, the Portfolio's book value was approximately \$2.1 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations.

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

Discussion

The balance of investments in the Orange County Investment Pool was understated by \$70,468, in the Second Quarter 2019 Investment and Debt Report. The audit of investments for the period July 1 through December 1, 2019, also identified an input error in the fourth quarter 2018 report. Internal Audit recommends Treasury implement and document a more robust secondary review to ensure the accuracy of investment information presented in quarterly reports to the Board of Directors. Management agreed and indicated that a more robust review process has already been implemented.

Management changed the format of the investment policy compliance schedule starting with the Second Quarter 2019 Investment and Debt Report. As a result, the schedule no longer reflects compliance monitoring of cash equivalent investments, including repurchase agreements. Also, while bond proceeds are not subject to diversification and maturity limits of the Policy, these investments are subject to requirements of their respective indentures. The indenture requirements are not currently reflected in the investment compliance schedule. Debt reserve funds are also not subject to investment policy guidelines per the schedule; however, these funds are not expressly exempted by the Policy. Internal Audit recommends that management revise the investment policy compliance schedule to evaluate all applicable investments in accordance with the Policy. Also, if management intends to exempt debt reserve funds from diversification and maturity limits of the Policy, the Policy should be updated accordingly. Finally, the schedule should include information on investment requirements of bond indentures and determination of compliance. Management agreed and had already made a change to include cash equivalents within the schedule. Also, management agreed to update the Policy to expressly exempt debt service reserve funds during the next update cycle. Finally, management agreed to include information detailing indenture requirements and compliance going forward.

Summary

Internal Audit has completed an audit of investments for the period January 1 through June 30, 2019, and has offered two recommendations for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2019 Internal Audit Report No. 20-502

Prepared by:



Gabriel Tang
Principal Internal Auditor
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Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investments: Compliance, Controls, and Reporting January 1 through June 30, 2019

Internal Audit Report No. 20-502 November 4, 2019



Performed by: Janet Sutter, CIA, Executive Director
Serena Ng, CPA, Senior Manager
Gabriel Tang, CPA, Principal Internal Auditor

Distributed to: Andrew Oftelie, Executive Director, Finance and Administration
Sean Murdock, Robert Davis, Benjamin Torres, Maya Haddad

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2019
November 4, 2019**

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2019
November 4, 2019

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period January 1 through June 30, 2019. Based on the audit, the Orange County Transportation Authority (OCTA) complied with its investment policies; however, Internal Audit identified an error in the Second Quarter 2019 Investment and Debt Report and observed that the investment compliance schedule does not reflect all investments and bond indenture requirements.

Background

Portfolio Management

The Treasury Department (Treasury) is responsible for the management of OCTA's Investment Portfolio (Portfolio). To accomplish this, Treasury uses the Clearwater treasury software system to monitor investments and investment manager performance.

On June 30, 2019, the Portfolio's book value was approximately \$2.1 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department (Accounting) is responsible for recording all debt and investment transactions and for reconciling all bank and custodial accounts monthly.

Investment Policy

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
January 1 through June 30, 2019
November 4, 2019

Objectives, Scope, and Methodology

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

Audit objectives included determining if:

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

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to integrity and ethical values.
 - Management establishes, with Board of Director (Board) oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - OCTA selects and develops general control activities over technology to support the achievement of objectives.
- Information and Communication
 - OCTA obtains, or generates and uses, relevant, quality information to support the functioning of internal control.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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- Monitoring
 - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The scope included investment transactions and investment-related controls for the period January 1 through June 30, 2019. OCTA's independent auditor, Crowe, LLP (Crowe), will perform agreed-upon procedures with respect to the Treasury function for the year ended June 30, 2019. Internal Audit limited the scope of this audit to procedures that will not be performed by Crowe during the course of their agreed-upon procedures.

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

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

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Audit Comments, Recommendations, and Management Responses

Error in 2019 Second Quarter Investment and Debt Report

The Orange County Investment Pool balance was understated by \$70,468, in the Second Quarter 2019 Investment and Debt Report. The prior audit also identified an input error in the quarterly reports and recommended management implement monitoring controls.

Recommendation:

Internal Audit recommends Treasury implement and document a more robust secondary review to ensure the accuracy of investment information presented to the Board.

Management Response:

Management agrees with the recommendation and has already implemented the use of a more robust review process by utilizing a checklist that validates each data input and is signed by the reviewing manager to ensure the integrity of the data for the Monthly and Quarterly Investment and Debt Reports. This process was used for the Third Quarter Investment and Debt Report that was brought to the Board at the October 28th meeting.

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Reporting of Investment Compliance

Starting with the Second Quarter 2019 Investment and Debt Report, management changed the format of the investment policy compliance schedule. As a result, the schedule no longer reflects compliance monitoring of cash equivalent investments, including repurchase agreements.

Also, while bond proceeds are not subject to diversification and maturity limits of the Policy, these investments are subject to requirements of their respective indentures. The indenture requirements are not currently reflected in the investment compliance schedule. Debt reserve funds are also not subject to investment policy compliance monitoring in the schedule; however, these funds are not expressly exempted in the Policy.

Recommendation:

Internal Audit recommends that management revise the Policy compliance schedule to evaluate all applicable investments in accordance with the Policy. Also, if management intends to exempt debt reserve funds from diversification and maturity limits of the Policy, the Policy should be updated accordingly. Finally, the schedule should include information on indenture requirements and determination of compliance.

Management Response:

Management agrees with the recommendation and had already made a change to include cash equivalents within the investment policy compliance schedule. This change was reflected in the Third Quarter Investment and Debt Report that was brought to the Board at the October 28th meeting.

Management agrees that additional clarification is required to expressly exempt debt service reserve funds from the Policy. The investment of bond proceeds and debt service reserve funds held by trustees are governed by provisions of their respective bond indentures and, therefore, should be exempt from the Policy. During the most recent annual review of the Policy in May 2019, staff did seek and receive approval from the Board to exempt the investments of bond proceeds from the Policy, and the intent was to also exempt debt service reserve funds. The updated policy, dated June 10, 2019, included language noting that "Bond proceeds shall be invested in the securities permitted by the applicable bond documents." Staff will update the language within the Policy to expressly exempt debt service reserve funds during the next update cycle.

Finally, management will include information detailing indenture requirements and compliance going forward.



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project

Overview

The Internal Audit Department has completed an audit of oversight controls and contract compliance related to the Orange Transportation Center Parking Structure Project. Based on the audit, procurements were handled in accordance with policies and procedures, status monitoring and reporting controls are operating, and consultants are providing services in accordance with their contracts. However, the Internal Audit Department recommends improvements to contract language addressing force account payments, preparation of independent cost estimates, and construction management consultant oversight of change orders. The Internal Audit Department is also making recommendations related to adequate labor timekeeping systems for consultants, as well as procedures to ensure compliance with requirements for federally-funded assets.

Recommendation

Direct staff to implement three recommendations provided in Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project, Internal Audit Report No. 19-508.

Background

The Orange Transportation Center Parking Structure Project is a shared-use parking structure located at Lemon Street and Maple Avenue. There are 608 parking stalls, of which 500 stalls are intended for transit use and the remaining 108 stalls are intended for the City of Orange's general use. The current baseline

estimate for the project is \$33,175,000 and includes the transit and non-transit portions. The project is funded through a mix of local, state, and federal funds.

The Orange County Transportation Authority (OCTA) entered into a time-and-expense contract with Hill International, Inc., for construction management (CM) services with a maximum cumulative payment obligation (maximum) of \$2,126,779. The maximum had increased to \$2,745,380, and the term extended to June 30, 2019, by Amendment No. 7. OCTA entered into a contract with Bomel Construction Company, Inc., for construction of the project with a maximum of \$18,414,300. Contract Change Order (CCO) No. 001 allowed work to proceed on contaminated soil and railroad ties at force account for a not-to-exceed (NTE) amount of \$200,000, CCO No. 001.1 was then issued with an NTE of \$863,000, and CCO 001.2 was finally issued at \$172,640.54, to capture all remaining work, costs, and schedule adjustments. CCO, No. 002 through No. 008 were all executed at lump sum amounts totaling \$779,883.59.

Discussion

Internal Audit identified areas for improvement related to CCO's. Internal Audit recommended that independent cost estimates for CCO's be prepared prior to receipt of contractors' pricing information and that CM's retain documentation evidencing scrutiny of force accounts costs. Internal Audit also recommended, for future contracts, that contract language outlining labor costs paid on force accounts be clarified and enforced. Management responded that it would add requirements related to independent cost estimates to its procedure manual, remind CM's to retain appropriate documentation to support force account costs, and provide clarity to contract provisions.

A sub-consultant to the CM does not utilize an adequate labor timekeeping system; discrepancies were identified in the employee timesheets and job timesheets that accompanied labor billings. Internal Audit recommended that prime and sub-consultants be required to have an adequate labor timekeeping system. Internal Audit also recommended that management remind consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely fashion. Management agreed to add the requirement for use of an adequate labor timekeeping system to future requests for proposals. Management also agreed to emphasize the need for timely submission of requests for amendment.

Finally, Internal Audit identified a need for procedures to address ongoing monitoring of federally-funded assets. Internal Audit recommended that management develop written procedures, including development and enforcement of operations and maintenance agreements with agencies that take

possession of such assets. Management responded that it is coordinating across all divisions to develop procedures that ensure adequate monitoring and ongoing oversight of federal facilities that are owned and maintained by an OCTA subrecipient.

Summary

Internal Audit made three recommendations for improvements related to CCO's, labor timekeeping systems, and ongoing monitoring of federally-funded assets.

Attachment

- A. Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project, Internal Audit Report No. 19-508

Prepared by:



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Senior Manager, Internal Audit
714-560-5938

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project

Internal Audit Report No. 19-508

October 31, 2019



Performed by

Serena Ng, CPA, Senior Manager
Janet Sutter, CIA, Executive Director

Serena K. Ng

Distributed to:

Jim Beil, Executive Director, Capital Programs
Andrew Oftelie, Lance Larson, Jennifer Bergener,
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Lora Cross, Megan LeMaster

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of oversight controls and contract compliance related to the Orange Transportation Center Parking Structure Project. Based on the audit, procurements were handled in accordance with policies and procedures, status monitoring and reporting controls are operating, and consultants are providing services in accordance with their contracts. However, Internal Audit recommends improvements to contract language addressing force account payments, preparation of independent cost estimates, and construction management consultant oversight of change orders. Internal Audit also recommends that prime and sub-consultants be required to have an adequate labor timekeeping system. Finally, Internal Audit recommends that management develop and implement procedures that outline responsibilities and provide guidelines to ensure compliance with requirements for federally-funded assets.

Background

Orange Transportation Center Parking Structure Project (Project)

The Project is a shared-use parking structure located at Lemon Street and Maple Avenue. The parking structure includes 608 parking stalls, of which 500 stalls, or 82 percent, are intended for transit use. The remaining 108 stalls, or 18 percent, are intended for the City of Orange's (City) general use. The City was the lead on the environmental, design, and right-of-way phases of the Project, and OCTA is the lead on the construction phase. The City pays its fair share of 18 percent of the construction costs of the Project. The City also pays 100 percent for City betterments. The current baseline estimate for the Project is \$33,175,000, and includes the transit and non-transit portions. OCTA is responsible for 73 percent of the design costs and 82 percent of the construction costs. The Project is funded through State Transportation Improvement Program funds, Federal Congestion Mitigation and Air Quality Improvement funds, proceeds from the sale of the Santa Ana Transit Terminal, Measure M2, and City local funds.

Contracts

The City was initially intended to be the lead on the construction phase. Under Cooperative Agreement No. C-6-1004, OCTA assumed the lead for the construction phase and agreed to 82 percent participation of the construction costs up to \$21,553,000.

Effective June 13, 2017, OCTA entered into Agreement No. C-6-1024 with Hill International, Inc. (Hill) for construction management (CM) services for the project. The contract is a time-and-expense contract with a maximum cumulative payment obligation (maximum) originally set at \$2,126,779. The maximum had increased to \$2,745,380, and the term extended to June 30, 2019, by Amendment No. 7. Named sub-consultants

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included AESCO, Inc. (AESCO), DSEArchitecture, LSA Associates, Inc., Coast Surveying, Inc., ATS Consulting, and Kroner Environmental Services, Inc.

Effective July 14, 2017, OCTA entered into Agreement No. C-7-1737 with Bomel Construction Company, Inc. (Bomel) for construction of the Project. The contract maximum was established at \$18,414,300. Contract Change Order (CCO) No. 001 allowed work to proceed on contaminated soil and railroad ties at force account for a not-to-exceed (NTE) amount of \$200,000, with a note that the change order will be part of a larger change order, CCO 001.01, that captures all work. CCO No. 001.1 then was issued with an NTE of \$863,000, and finally CCO 001.2 was issued at \$172,640.54, to capture all remaining work, direct costs, extended field and home overhead costs, and schedule adjustments. CCO Nos. 002, 003, 004, 005, 006, 007, and 008 were all executed at lump sum amounts of \$61,381.44, \$18,882.00, \$127,575.00, \$97,754.00, \$191,295.00, \$87,756.15, and \$195,240, respectively.

Project Status Controls

During the design phase, which was led by the City, the Project Manager (PM) attended periodic meetings. During the construction phase, weekly construction meetings were held on site and attended by Bomel, Hill, City representatives, and OCTA representatives, including the PM and Public Outreach staff. Minutes for the weekly construction meetings were prepared and filed in the project files.

Hill, as the CM, submitted daily reports, weekly reports, and monthly progress reports to the PM. The reports identify percentage completion, number of requests for information, and overall status of construction. During construction, the PM communicated with Hill on a daily basis.

Invoice Review

For the Hill invoices, the PM reviewed the hours billed and compared the billed hours to what she saw on-site. The PM relied on the project management consultant to review the rates and reconcile the hours billed to timesheets.

Hill prepared the construction Application and Certificate for Payment, after reaching an agreement with Bomel. The signed Application and Certificate for Payment was then submitted to the PM, who checked the completion status and made inquiries of Hill as needed to confirm status. The PM then relied on the project management consultant to review the values and mathematical accuracy of the signed Application and Certificate for Payment.

Invoices were reviewed and signed by the PM or the Division Director, based on payment authorization level. Accounts Payable reviewed invoices for proper signature authority prior to processing payment.

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Objectives, Scope, and Methodology

The objectives were to evaluate the procurements, amendments, and change orders for compliance with policies and procedures and/or contract terms, assess project administration and oversight controls, and evaluate contract compliance.

According to generally accepted government auditing standards, internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹

The methodology consisted of testing compliance with selected procurement policies and procedures including vendor protest policies, testing amendments and change orders for compliance with contract terms and policies and procedures, testing for evidence of weekly construction meetings and project status reporting to the Board of Directors, and testing invoices for compliance with policies and contract terms.

The scope is limited to the Project and the related OCTA contracts. The scope excludes the design, environmental, and right-of-way phases, as these phases were led by the City.

The scope included all weekly construction meetings, all amendments and CCO's, and all invoices paid through May 2019. The scope also included Measure M2 progress reports beginning with the quarter ending December 2015, and the Capital Action Plan Performance Metrics reports beginning the first quarter of fiscal year 2015-16. The scope included certain project controls, which were selected with a bias toward those that are significant to the Project. Since the sample is non-statistical, any conclusions are limited to the sample items tested.

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

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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Audit Comments, Recommendations, and Management Responses

Cost Estimates and CM Oversight

Cost estimates for CCO work were not prepared independent of the contractor's price proposals. Policy requires cost estimates be prepared by the PM and/or CM prior to receipt of the construction contractor's price proposals; however, for several of the CCO's, the cost estimates were prepared after receipt of contractor proposals.

The CM is responsible for reviewing CCO documentation on OCTA's behalf; however, Internal Audit identified opportunities for improvement in the CM's process. The CCO files did not include documentation to support all force account costs paid to the construction contractor; specifically, labor rate calculations, reconciliation of subcontractor labor hours, and a few extra work tickets. This documentation should be validated by the CM and retained in the files.

Upon request, the CM provided force account labor rate calculations; however, the calculations were inconsistent with contract language. The contract provides that labor be compensated at actual wages paid plus 20 percent, and allows a 17 percent labor surcharge as compensation for payments imposed by state and federal laws. The actual labor rates calculated and charged by the contractors included the basic wage rate, fringe benefits, and payroll insurance and taxes, with the 20 percent markup and 17 percent labor surcharge. While it is unclear if fringe benefits are considered actual wages paid and therefore allowable, the contractor's inclusion of payroll insurance and tax costs is clearly unreasonable, as the 17 percent labor surcharge covers these costs. Finally, credits from the contractor for work not performed as a result of CCO's, did not include the standard markups applied to labor and equipment. Also, credits provided reflected equipment rental rates that were lower than the rates charged for equipment under force account. There is no evidence that the CM reviewed the labor rate calculations against the contract or questioned the pricing on the credits; while these amounts do not represent a high percentage of the CCO cost, the CM should be reviewing all cost elements for reasonableness and accuracy.

Recommendation 1:

Internal Audit recommends that independent cost estimates be prepared prior to receipt of price and cost information from contractors. Internal Audit also recommends that project management instruct CM's to retain documentation evidencing scrutiny of force account costs, including credits. For future contracts, Internal Audit recommends contract language outlining labor costs paid on force account be clarified and enforced, with consideration for treatment of payroll insurance and taxes.

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Management Response (Capital Programs):

Management agrees with the recommendation. An independent cost estimate (ICE) should be prepared to support proposed CCO's. The extent of the ICE will be based on the circumstance of the change. A fully detailed ICE will then be used by the CM and PM to reconcile and determine the adequacy of any costs provided by the contractor. The CM will be required to document justification or source for individual line items in the ICE. For example, cost of individual items in the ICE may have come from previous CCO's, the projects schedule of values, California Department of Transportation standard rates, or the construction managers' own research. This requirement will be added to the Rail Programs Construction Management Procedures Manual. Construction managers will also be reminded to assure that appropriate documentation is retained to support force account costs paid to, or credits taken from, the contractor.

Management Response (Finance and Administration):

The General Provisions section incorporated as a part of the scope of work for the construction contracts, under "Extra Work and Changes" – states that no more than 17 percent may be added as surcharge to the actual wages. The 17 percent is to constitute full compensation for all other payments, including payments imposed by State and Federal laws. Contracts Administration and Materials Management Department (CAMP) will work with legal counsel on language on how to treat payroll insurance and taxes for force account labor and to provide clarity to the contract provisions.

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Invoice Support

Testing of CM consultant invoices identified the following:

- One sub-consultant, AESCO, does not utilize an adequate labor timekeeping system. Discrepancies were identified between hours recorded on employee timesheets and hours reflected on individual job timesheets that accompanied labor billings.
- Several invoices included overtime and double-time rates, and some other direct costs (ODC), that are not part of the contract.
- Several invoices included one or more staff and/or ODC's that were not part of the contract as of the invoice period. The costs were incurred prior to the effective date of the amendment that eventually added the staff and ODC's.

Recommendation 2:

Internal Audit recommends that prime and sub-consultants be required to have an adequate labor timekeeping system.

Management should remind consultants of the need to request amendments to add staff, labor rates, and ODC's in a timely fashion.

Management Response (Capital Programs):

Management agrees with the recommendation. Capital Programs will work with CAMM to include language be included in the Personnel Qualifications and Responsibilities section of future Request for Proposals to require both prime contractors and subconsultants to have an adequate labor timekeeping system.

A tracking tool is used to monitor use of classifications with respect to name, time, and salary escalation limits. All time and expense contracts which include classification rate schedules now have a tracking spreadsheet inserted into the Project Controls accounts payable tracking file.

Management Response (Finance and Administration):

Through the kick-off meetings and after contract execution and on-going meetings with the PM's, CAMM staff will continue to emphasize the need for timely submission of requests for amendments to any staff/scope or changes to ODC's. The recently conducted Procurement 102 module on Amendments (August 14, 2019) also addressed the significance of submitting information in a timely manner to process amendments.

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Procedures for Ongoing Monitoring of Federally-Funded Assets

At the time of the audit, roles and responsibilities, procedures, and contract templates had not yet been developed to address requirements triggered by the use of federal funds on the Project, including requirements for ongoing maintenance, property management, asset management, Title VI, and civil rights requirements.

Recommendation 3:

Internal Audit recommends management develop and implement written procedures to outline roles and responsibilities of staff tasked with implementing operations and maintenance agreements, and performing ongoing oversight of agencies taking possession of assets built with federal funds.

Management Response (External Affairs):

Management agrees with the recommendation and is coordinating across all divisions within the agency to develop procedures that ensure adequate monitoring and oversight of federal facilities that are owned and maintained by an OCTA subrecipient.



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 91 Express Lanes Update for the Period Ending September 30, 2019

Overview

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, traffic volumes and toll revenues have fluctuated with the changes in the economy and the additional capacity added to the State Route 91 corridor. Over the last quarter, there have been approximately 4.6 million trips taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending September 30, 2019.

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). Traffic volumes and toll revenues are at historic high levels.

Discussion

The 91 EL continued to perform well during the period ending September 30, 2019. Traffic volumes, toll revenues, new accounts, transponder

distributions, and account balances all increased when compared to the same period last year. The continued growth in the national and local economies, along with the opening of the Riverside County extension of the 91 EL by the RCTC, continue to fuel the increases in traffic volumes and toll revenues in Orange County.

Traffic Volumes

Total traffic volume on the OCTA 91 EL for the month of September 2019, was 1,477,257. This represents a daily average of 49,253. This is a 4.2 percent increase in total traffic volume from the same period last year when traffic levels totaled 1,417,450. Carpool percentage for the period ending September was 25.9 percent. In looking at the quarter-ending period of September 2019, traffic volumes registered 4.6 million, which was an increase of 2.36 percent over the same period the prior year. For the 12-month period ending September 2019, traffic volumes reached 17.6 million and increased by 3.6 percent over the same period the prior year.

The growth in the last quarter, as well as the past 12 months, in traffic volumes can be attributed to two factors. First, is the opening of the RCTC extension of the 91 EL into Riverside County. Since the extension opened in 2017, traffic volumes in the westbound direction of the Orange County segment continue to show strong growth. The second factor is the continued growth in the local regional economy. Unemployment in the region remains low and jobs continue to be created in Orange and Riverside Counties.

Gross Potential Toll Revenues

Gross potential toll revenue (GPTR) for the month of September 2019 was \$4,440,347, which represents an increase of 6.5 percent from the prior year's total of \$4,169,154. 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 previous 12 months, GPTR totaled \$52.2 million and increased by 3.4 percent over the same period the prior year.

Toll Adjustments

The Board of Directors (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 July 1, 2019, whereby four shoulder hours incurred a toll increase and one peak period hour experienced a toll decrease. For the increases, toll rates changed by \$0.75 and for the hour that was reduced, the rate declined by \$0.50.

In addition to the volume-based adjustments, the Toll Policy requires an annual toll adjustment for inflation every July 1st. On July 1, 2019, all non-super peak and super peak tolls which had not been adjusted in the previous 12 months were adjusted by an inflation factor of two percent, rounded up or down to the nearest 5-cent increment. As of the end of September 2019, toll rates ranged from a minimum of \$1.70 to a maximum of \$9.15. The next scheduled toll adjustment will occur on October 1, 2019.

Number of Accounts and Transponders

The number of active accounts totaled 149,806, and 228,436 transponders were assigned to those accounts as of September 30, 2019. Over the past 12 months, the number of accounts has increased by 6,505, and the number of transponders in circulation has increased by 10,300.

Outstanding Debt

During the month of August 2019, a debt service payment for principal was made to toll road investors in the amount of \$6.1 million. As of September 30, 2019, the outstanding amount of the 91 EL tax-exempt 2013 Senior Lien Toll Road Revenue Refunding Bonds (Bonds) totaled \$91.7 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, 2020. 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 reserve funds are fully funded with a total balance of \$24.8 million as of September 30, 2019.

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 \$25.6 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 \$56.2 million. Lastly, OCTA has approximately \$96.7 million set aside in excess toll revenues for various other SR-91 corridor projects.

Recent Activities

Last year, OCTA entered into an agreement with Kapsch TrafficCom USA, Inc. (Kapsch), 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. This lane system is able to read the 6C protocol transponders, as well as the previous Title 21 protocol transponders. OCTA completed installation of the lane system on the westbound gantries during a 55-hour closure on the weekend of August 23rd. The eastbound lane system installation was completed during the weekend of October 4th, which was subsequent to the ending of the September 2019 reporting period.

Upcoming Events

Over the next few months, several events will be transpiring related to the 91 EL. In November 2019, staff will request that the Board select a provider for the back-office system/customer service center operations. The staff recommendation for the selected provider will also go to the RCTC Board for approval in November 2019. If approved by both Boards, OCTA, RCTC, and the selected provider will enter into a three-party agreement to provide operating services for the 91 EL in Orange and Riverside Counties.

With the completion of the Kapsch toll lane system upgrade in Orange and Riverside Counties, the back-office system will be modified in order to process the new 6C transponders and changes to the Board-approved customer account plans. Distribution of the new 6C transponders to customers will begin after the back-office system changes have been made, which is expected in December 2019. OCTA and RCTC have prepared a series of customer communications to be provided to customers to facilitate the transition to the new 6C transponders and changes to the account plans.

Summary

During the period ending September 30, 2019, 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, September 2019

Prepared by:



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(714) 560-5674

Approved by:



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



Status Report
September 2019

As of September 30, 2019

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OPERATIONS OVERVIEW OCTA

TRAFFIC AND REVENUE STATISTICS FOR OCTA

Total traffic volume on the OCTA 91 Express Lanes for September 2019 was 1,477,581. This represents a daily average of 49,253. This is a 4.2% increase in total traffic volume from the same period last year, which totaled 1,417,450. Potential toll revenue for the month was \$4,440,347, which represents an increase of 6.5% from the prior year's total of \$4,169,154. Carpool percentage for the month was 25.86% as compared to the previous year's rate of 25.97%.

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 September 2019.

Current Month-to-Date (MTD) as of September 30, 2019

Trips	Sep-19 MTD Actual	Stantec MTD Projected	# Variance	% Variance	Sep-18 MTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	1,095,487	1,092,774	2,713	0.2%	1,049,290	4.4%
3+ Lanes	382,094	296,879	85,215	28.7%	368,160	3.8%
Total Gross Trips	1,477,581	1,389,653	87,928	6.3%	1,417,450	4.2%
Revenue						
Full Toll Lanes	\$4,373,645	\$4,572,414	(\$198,769)	(4.3%)	\$4,104,552	6.6%
3+ Lanes	\$66,703	\$83,394	(\$16,691)	(20.0%)	\$64,603	3.3%
Total Gross Revenue	\$4,440,347	\$4,655,808	(\$215,460)	(4.6%)	\$4,169,154	6.5%
Average Revenue per Trip						
Average Full Toll Lanes	\$3.99	\$4.18	(\$0.19)	(4.5%)	\$3.91	2.0%
Average 3+ Lanes	\$0.17	\$0.28	(\$0.11)	(39.3%)	\$0.18	(5.6%)
Average Gross Revenue	\$3.01	\$3.35	(\$0.34)	(10.1%)	\$2.94	2.4%

The 2020 fiscal year-to-date traffic volume increased by 2.3% and potential toll revenue increased by 2.9%, when compared with the same period last year. Year-to-date average revenue per-trip is \$2.97.

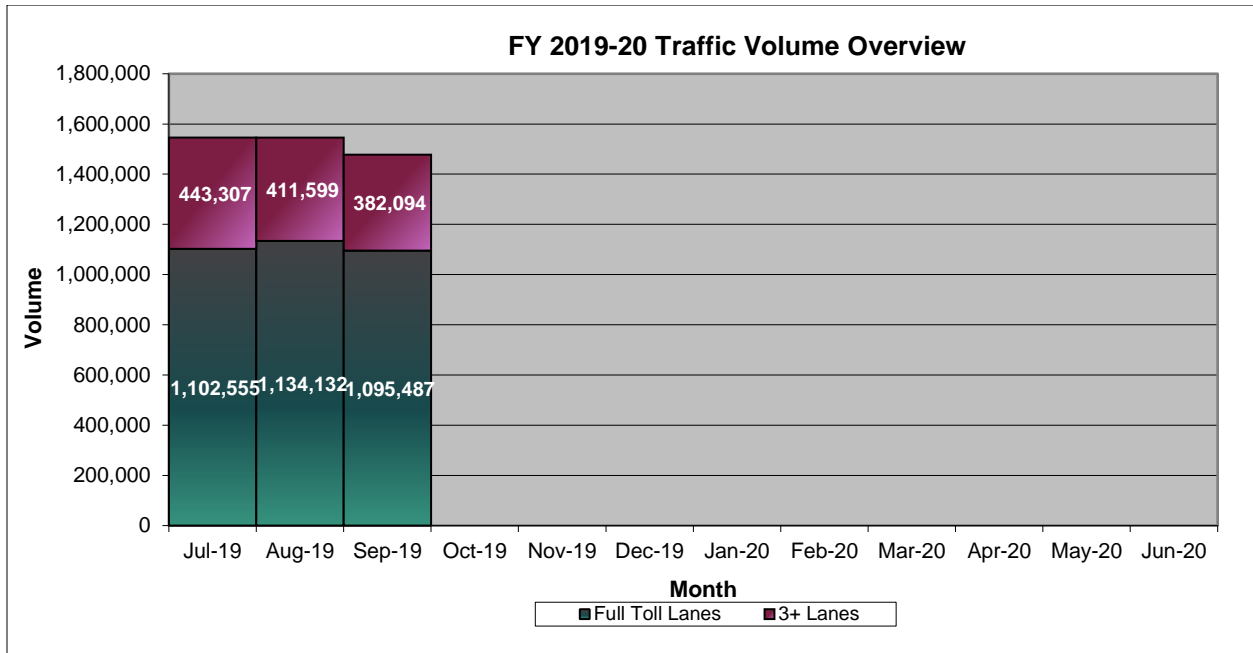
Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the OCTA 91 Express Lanes and associated potential revenue for the months of July 2019 through September 2019.

FY 2019-20 Year to Date as of September 30, 2019

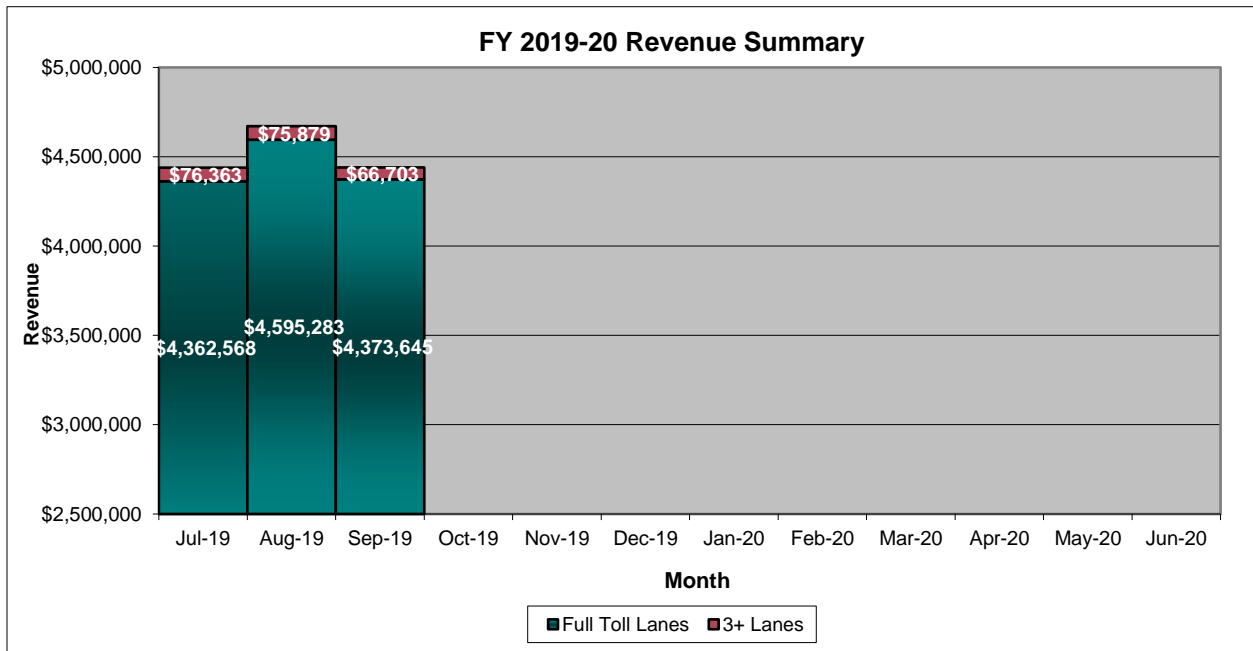
Trips	FY 2019-20 YTD Actual	Stantec YTD Projected	# Variance	% Variance	FY 2018-19 YTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	3,332,174	3,315,930	16,244	0.5%	3,280,307	1.6%
3+ Lanes	1,237,000	1,040,432	196,568	18.9%	1,187,420	4.2%
Total Gross Trips	4,569,174	4,356,362	212,812	4.9%	4,467,727	2.3%
Revenue						
Full Toll Lanes	\$13,331,495	\$13,828,769	(\$497,274)	(3.6%)	\$12,944,382	3.0%
3+ Lanes	\$218,945	\$252,085	(\$33,140)	(13.1%)	\$228,306	(4.1%)
Total Gross Revenue	\$13,550,440	\$14,080,854	(\$530,414)	(3.8%)	\$13,172,688	2.9%
Average Revenue per Trip						
Average Full Toll Lanes	\$4.00	\$4.17	(\$0.17)	(4.1%)	\$3.95	1.3%
Average 3+ Lanes	\$0.18	\$0.24	(\$0.06)	(25.0%)	\$0.19	(5.3%)
Average Gross Revenue	\$2.97	\$3.23	(\$0.26)	(8.0%)	\$2.95	0.7%

OCTA Traffic and Revenue Summary

The chart below reflects the total trips breakdown between Full Toll trips and HOV3+ trips for FY 2019-20 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll trips and HOV3+ trips for FY 2019-20 on a monthly basis.



Peak traffic hour in the eastbound direction reached or exceeded 90% or more of defined capacity 17 times during the month of September 2019 (highlighted in yellow). As demonstrated on the next chart, westbound peak hour traffic volumes top out at 81% of defined capacity.

OCTA EASTBOUND PEAK-HOUR VOLUMES

PM Time	Monday 09/02/19				Tuesday 09/03/19				Wednesday 09/04/19				Thursday 09/05/19				Friday 09/06/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$4.45	414	1,040	31%	\$5.15	470	2,756	81%	\$5.15	452	2,983	88%	\$6.70	506	3,224	95%	\$7.10	532	3,177	93%
1500 - 1600	\$4.45	422	977	29%	\$5.75	666	2,792	82%	\$7.75	702	2,987	88%	\$6.75	598	2,647	78%	\$9.15	509	1,810	53%
1600 - 1700	\$4.45	431	978	29%	\$5.50	425	2,888	85%	\$7.50	426	2,845	84%	\$8.30	490	2,348	69%	\$8.95	536	2,696	79%
1700 - 1800	\$4.45	407	880	26%	\$5.40	496	2,863	84%	\$6.40	489	2,965	87%	\$8.70	460	2,530	74%	\$7.05	508	2,846	84%
1800 - 1900	\$4.45	484	987	29%	\$3.95	562	2,856	84%	\$3.95	609	2,939	86%	\$4.85	625	2,968	87%	\$6.55	649	2,789	82%
1900 - 2000	\$4.45	501	994	29%	\$3.85	601	2,455	72%	\$3.85	645	2,512	74%	\$5.60	621	2,521	74%	\$6.05	640	2,240	66%

PM Time	Monday 09/09/19				Tuesday 09/10/19				Wednesday 09/11/19				Thursday 09/12/19				Friday 09/13/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.15	466	2,769	81%	\$5.15	461	2,812	83%	\$5.15	476	2,874	85%	\$6.70	488	3,158	93%	\$7.10	531	3,113	92%
1500 - 1600	\$5.50	675	3,003	88%	\$5.75	639	2,786	82%	\$7.75	712	3,045	90%	\$6.75	659	2,956	87%	\$9.15	740	2,626	77%
1600 - 1700	\$5.35	474	2,964	87%	\$5.50	423	2,861	84%	\$7.50	476	2,853	84%	\$8.30	515	2,810	83%	\$8.95	539	2,874	85%
1700 - 1800	\$5.30	495	2,977	88%	\$5.40	476	2,886	85%	\$6.40	501	2,924	86%	\$8.70	421	2,332	69%	\$7.05	603	3,115	92%
1800 - 1900	\$5.50	621	2,730	80%	\$3.95	523	2,723	80%	\$3.95	661	2,956	87%	\$4.85	643	3,095	91%	\$6.55	610	2,848	84%
1900 - 2000	\$3.85	483	1,966	58%	\$3.85	588	2,501	74%	\$3.85	589	2,455	72%	\$5.60	723	2,814	83%	\$6.05	681	2,355	69%

PM Time	Monday 09/16/19				Tuesday 09/17/19				Wednesday 09/18/19				Thursday 09/19/19				Friday 09/20/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.15	474	2,721	80%	\$5.15	449	2,857	84%	\$5.15	482	3,007	88%	\$6.70	473	3,124	92%	\$7.10	567	3,128	92%
1500 - 1600	\$5.50	626	3,010	89%	\$5.75	677	2,859	84%	\$7.75	682	2,807	83%	\$6.75	643	3,020	89%	\$9.15	731	2,706	80%
1600 - 1700	\$5.35	498	2,958	87%	\$5.50	446	2,975	88%	\$7.50	430	2,744	81%	\$8.30	501	2,974	87%	\$8.95	466	2,738	81%
1700 - 1800	\$5.30	519	3,050	90%	\$5.40	510	3,037	89%	\$6.40	481	2,845	84%	\$8.70	433	2,446	72%	\$7.05	542	2,816	83%
1800 - 1900	\$5.50	620	2,665	78%	\$3.95	650	3,087	91%	\$3.95	642	3,046	90%	\$4.85	610	2,868	84%	\$6.55	667	2,874	85%
1900 - 2000	\$3.85	465	1,751	52%	\$3.85	583	2,415	71%	\$3.85	693	2,833	83%	\$5.60	726	2,782	82%	\$6.05	669	2,295	68%

PM Time	Monday 09/23/19				Tuesday 09/24/19				Wednesday 09/25/19				Thursday 09/26/19				Friday 09/27/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.15	461	2,636	78%	\$5.15	428	2,899	85%	\$5.15	462	3,002	88%	\$6.70	463	3,209	94%	\$7.10	580	3,210	94%
1500 - 1600	\$5.50	634	3,018	89%	\$5.75	622	2,739	81%	\$7.75	621	2,831	83%	\$6.75	651	3,125	92%	\$9.15	754	2,719	80%
1600 - 1700	\$5.35	454	2,869	84%	\$5.50	422	2,793	82%	\$7.50	420	2,784	82%	\$8.30	534	2,973	87%	\$8.95	542	2,878	85%
1700 - 1800	\$5.30	516	2,937	86%	\$5.40	479	2,765	81%	\$6.40	477	2,826	83%	\$8.70	429	2,565	75%	\$7.05	613	2,953	87%
1800 - 1900	\$5.50	674	2,802	82%	\$3.95	535	2,678	79%	\$3.95	651	2,921	86%	\$4.85	687	3,131	92%	\$6.55	692	2,674	79%
1900 - 2000	\$3.85	483	1,865	55%	\$3.85	714	2,787	82%	\$3.85	677	2,709	80%	\$5.60	617	2,434	72%	\$6.05	630	2,007	59%

PM Time	Monday 09/30/19				Tuesday 10/01/19				Wednesday 10/02/19				Thursday 10/03/19				Friday 10/04/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.15	419	2,572	76%																
1500 - 1600	\$5.50	663	3,141	92%																
1600 - 1700	\$5.35	445	2,851	84%																
1700 - 1800	\$5.30	545	3,162	93%																
1800 - 1900	\$5.50	635	2,573	76%																
1900 - 2000	\$3.85	482	1,951	57%																

OCTA WESTBOUND PEAK-HOUR VOLUMES

AM Time	Monday 09/02/19				Tuesday 09/03/19				Wednesday 09/04/19				Thursday 09/05/19				Friday 09/06/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$1.70	48	110	3%	\$3.05	825	2,582	76%	\$3.05	903	2,650	78%	\$3.05	879	2,633	77%	\$3.05	741	2,099	62%
0500 - 0600	\$1.70	77	217	6%	\$4.95	946	2,671	79%	\$4.95	942	2,490	73%	\$4.95	861	2,375	70%	\$4.70	836	2,459	72%
0600 - 0700	\$2.50	63	200	6%	\$5.15	610	2,059	61%	\$5.15	657	2,178	64%	\$5.15	715	2,219	65%	\$4.95	674	2,245	66%
0700 - 0800	\$2.50	150	353	10%	\$5.65	514	2,237	66%	\$5.65	461	2,149	63%	\$5.65	505	2,292	67%	\$5.50	444	2,061	61%
0800 - 0900	\$2.50	239	638	19%	\$5.15	323	2,244	66%	\$5.15	314	2,269	67%	\$5.15	345	2,226	65%	\$4.95	293	1,996	59%
0900 - 1000	\$3.70	449	1,008	30%	\$4.10	314	2,292	67%	\$4.10	285	2,312	68%	\$4.10	294	2,118	62%	\$4.10	305	1,848	54%

AM Time	Monday 09/09/19				Tuesday 09/10/19				Wednesday 09/11/19				Thursday 09/12/19				Friday 09/13/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.05	875	2,669	79%	\$3.05	831	2,581	76%	\$3.05	871	2,531	74%	\$3.05	881	2,543	75%	\$3.05	761	2,094	62%
0500 - 0600	\$4.95	934	2,547	75%	\$4.95	1002	2,766	81%	\$4.95	975	2,613	77%	\$4.95	948	2,589	76%	\$4.70	845	2,453	72%
0600 - 0700	\$5.15	651	2,129	63%	\$5.15	595	2,022	59%	\$5.15	676	2,238	66%	\$5.15	699	2,295	68%	\$4.95	633	2,196	65%
0700 - 0800	\$5.65	487	2,283	67%	\$5.65	508	2,216	65%	\$5.65	499	2,176	64%	\$5.65	506	2,279	67%	\$5.50	457	1,974	58%
0800 - 0900	\$5.15	295	2,120	62%	\$5.15	311	2,067	61%	\$5.15	333	2,226	65%	\$5.15	313	2,319	68%	\$4.95	325	1,948	57%
0900 - 1000	\$4.10	293	2,130	63%	\$4.10	282	2,159	64%	\$4.10	285	2,162	64%	\$4.10	305	2,212	65%	\$4.10	262	1,752	52%

AM Time	Monday 09/16/19				Tuesday 09/17/19				Wednesday 09/18/19				Thursday 09/19/19				Friday 09/20/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.05	863	2,649	78%	\$3.05	849	2,579	76%	\$3.05	927	2,690	79%	\$3.05	850	2,532	74%	\$3.05	734	2,052	60%
0500 - 0600	\$4.95	923	2,511	74%	\$4.95	1034	2,723	80%	\$4.95	914	2,478	73%	\$4.95	934	2,466	73%	\$4.70	887	2,507	74%
0600 - 0700	\$5.15	666	2,172	64%	\$5.15	624	2,054	60%	\$5.15	674	2,129	63%	\$5.15	665	2,226	65%	\$4.95	653	2,259	66%
0700 - 0800	\$5.65	476	2,230	66%	\$5.65	482	2,262	67%	\$5.65	534	2,342	69%	\$5.65	494	2,283	67%	\$5.50	427	1,963	58%
0800 - 0900	\$5.15	281	2,056	60%	\$5.15	336	2,291	67%	\$5.15	305	2,283	67%	\$5.15	328	2,229	66%	\$4.95	292	1,915	56%
0900 - 1000	\$4.10	278	2,016	59%	\$4.10	289	2,285	67%	\$4.10	276	2,208	65%	\$4.10	310	2,230	66%	\$4.10	291	1,870	55%

AM Time	Monday 09/23/19				Tuesday 09/24/19				Wednesday 09/25/19				Thursday 09/26/19				Friday 09/27/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.05	870	2,637	78%	\$3.05	797	2,689	79%	\$3.05	837	2,639	78%	\$3.05	881	2,606	77%	\$3.05	749	2,148	63%
0500 - 0600	\$4.95	747	2,274	67%	\$4.95	932	2,712	80%	\$4.95	816	2,492	73%	\$4.95	884	2,554	75%	\$4.70	759	2,303	68%
0600 - 0700	\$5.15	541	1,984	58%	\$5.15	627	2,063	61%	\$5.15	633	2,236	66%	\$5.15	651	2,204	65%	\$4.95	659	2,323	68%
0700 - 0800	\$5.65	460	2,138	63%	\$5.65	438	2,213	65%	\$5.65	453	2,211	65%	\$5.65	477	2,194	65%	\$5.50	457	2,039	60%
0800 - 0900	\$5.15	325	2,142	63%	\$5.15	284	2,133	63%	\$5.15	288	2,351	69%	\$5.15	274	2,242	66%	\$4.95	292	1,800	53%
0900 - 1000	\$4.10	258	2,089	61%	\$4.10	312	2,337	69%	\$4.10	256	2,255	66%	\$4.10	269	2,168	64%	\$4.10	387	1,785	53%

AM Time	Monday 09/30/19				Tuesday 10/01/19				Wednesday 10/02/19				Thursday 10/03/19				Friday 10/04/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.05	877	2,689	79%																
0500 - 0600	\$4.95	822	2,504	74%																
0600 - 0700	\$5.15	622	2,071	61%																
0700 - 0800	\$5.65	415	2,038	60%																
0800 - 0900	\$5.15	270	2,047	60%																
0900 - 1000	\$4.10	307	2,049	60%																

OCTA OPERATIONAL HIGHLIGHTS

On-road Operations

OCTA Customer Assistance Specialists (CAS) responded to 91 calls during the month of September. Of those calls, 77 were to assist disabled vehicles and 7 calls to remove debris. There were 7 accidents in the Express Lanes and 1 of those accidents originated in the SR91 general-purpose lanes that affected the Express 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. 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 completed installation of the lane system on the westbound gantries during a 55-hour closure on the weekend of August 23rd. After the close of the month-end period, the eastbound lane system installation was completed during the weekend of October 4th.

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 communications 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 in the next few months.

FINANCIAL HIGHLIGHTS OCTA

91 Express Lanes Operating Statement

Description	YTD as of : 9/30/2019		YTD Variance	
	Actual ⁽¹⁾	Budget ⁽¹⁾	Dollar \$	Percent (%)
Operating revenues:				
Toll revenue	\$ 12,548,956.42	\$ 13,286,733.00	\$ (737,776.58)	(5.6)
Fee revenue	1,880,700.76	880,052.00	1,000,648.76	113.7
Total operating revenues	14,429,657.18	14,166,785.00	262,872.18	1.9
Operating expenses:				
Contracted services	1,516,906.78	1,849,260.00	332,353.22	18.0
Administrative fee	708,720.00	709,971.00	1,251.00	0.2
Other professional services	(8,268.66)	939,356.00	947,624.66	100.9
Credit card processing fees	312,561.54	355,590.00	43,028.46	12.1
Toll road account servicing	165,800.32	620,500.00	454,699.68	73.3
Other insurance expense	93,273.75	62,475.00	(30,798.75)	(49.3)
Toll road maintenance supply repairs	70,963.05	118,751.00	47,787.95	40.2
Patrol services	170,690.14	244,905.00	74,214.86	30.3
Building equipment repairs and maint	(32,873.57)	81,556.00	114,429.57	140.3
6C Transponders	-	62,500.00	62,500.00	100.0
Other services	(16,806.00)	8,749.00	25,555.00	292.1
Utilities	6,984.85	18,369.00	11,384.15	62.0
Office expense	(759.16)	88,805.00	89,564.16	100.9
Bad debt expense	35,916.31	-	(35,916.31)	N/A
Miscellaneous ⁽²⁾	3,121.20	29,620.00	26,498.80	89.5
Leases	93,289.00	114,954.00	21,665.00	18.8
Total operating expenses	3,119,519.55	5,305,361.00	2,185,841.45	41.2
Depreciation and amortization ⁽³⁾	851,208.01	-	(851,208.01)	N/A
Operating income (loss)	10,458,929.62	8,861,424.00	1,597,505.62	18.0
Nonoperating revenues (expenses):				
Reimbursement from Other Agencies	45,200.00	-	45,200.00	N/A
Interest income	1,551,032.50	949,023.00	602,009.50	63.4
Interest expense	(1,178,487.42)	(1,178,016.00)	(471.42)	(0.0)
Other	13,160.66	-	13,160.66	N/A
Total nonoperating revenues (expenses)	430,905.74	(228,993.00)	659,898.74	288.2
Transfers in	-	-	-	N/A
Transfers out	-	(5,000.00)	5,000.00	100.0
Net income (loss)	\$ 10,889,835.36	\$ 8,627,431.00	\$ 2,262,404.36	26.2

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 three months ending September 30, 2019, capital asset activities included \$5,920 for the computer equipment and \$97,358 for transponder purchases.

OPERATIONS OVERVIEW RCTC

TRAFFIC AND REVENUE STATISTICS FOR RCTC

Total traffic volume on the RCTC 91 Express Lanes for September 2019 was 1,300,290. This represents a daily average of 43,343. This is a 5.1% increase in total traffic volume from the same period last year, which totaled 1,237,747. Potential toll revenue for the month was \$5,361,366, which represents an increase of 24.5% from the prior year's total of \$4,307,975. Carpool percentage for the month was 24.29% as compared to the previous year's rate of 23.83%.

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 September 2019.

Current Month-to-Date (MTD) as of September 30, 2019

Trips	SEP-19 MTD Actual	Stantec MTD Projected	# Variance	% Variance	SEP-18 MTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	984,484	976,886	7,598	0.8%	942,845	4.4%
3+ Lanes	315,806	303,000	12,806	4.2%	294,902	7.1%
Total Gross Trips	1,300,290	1,279,886	20,404	1.6%	1,237,747	5.1%
Revenue						
Full Toll Lanes	\$5,326,713	\$3,809,843	\$1,516,870	39.8%	\$4,278,176	24.5%
3+ Lanes	\$34,653	\$0	\$34,653		\$29,799	16.3%
Total Gross Revenue	\$5,361,366	\$3,809,843	\$1,551,523	40.7%	\$4,307,975	24.5%
Average Revenue per Trip						
Average Full Toll Lanes	\$5.41	\$3.90	\$1.51	38.7%	\$4.54	19.2%
Average 3+ Lanes	\$0.11	\$0.00	\$0.11		\$0.10	10.0%
Average Gross Revenue	\$4.12	\$2.98	\$1.14	38.3%	\$3.48	18.4%

The 2020 fiscal year-to-date (YTD) traffic volume is 3.3% higher when compared with the same period last year. The 2020 fiscal year-to-date revenue is 18.4% 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 \$4.05.

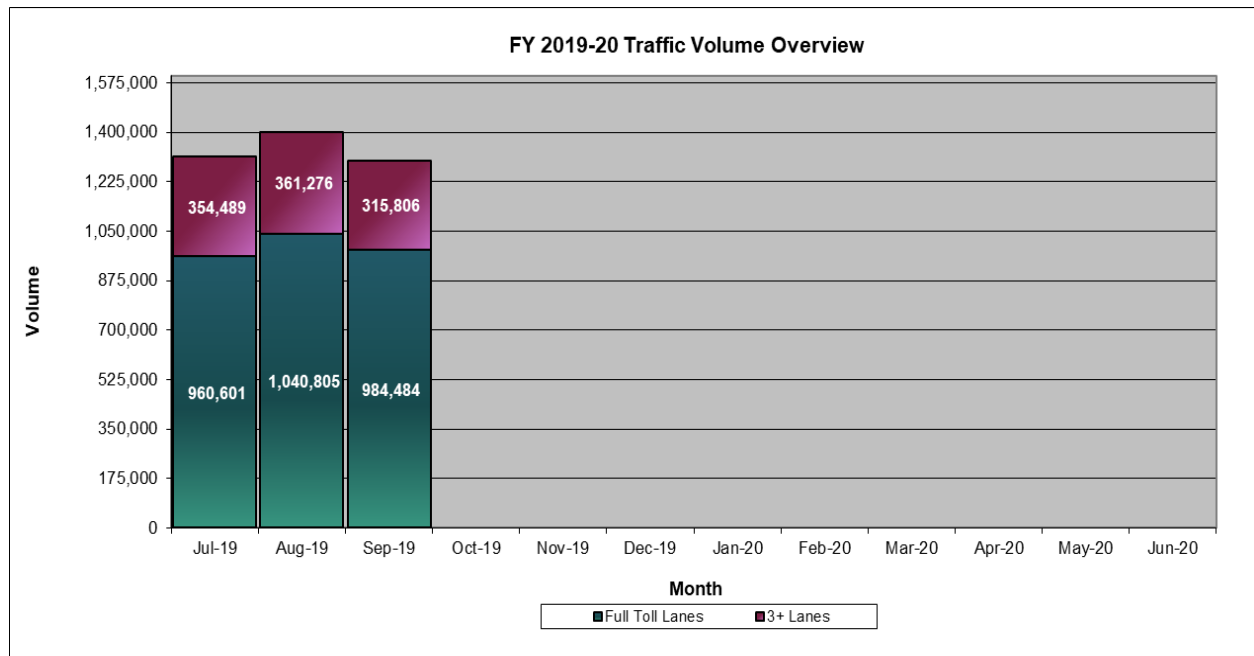
Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the RCTC 91 Express Lanes and associated potential revenue for the months of July 2019 through September 2019.

FY 2019-20 Year to Date as of September 30, 2019

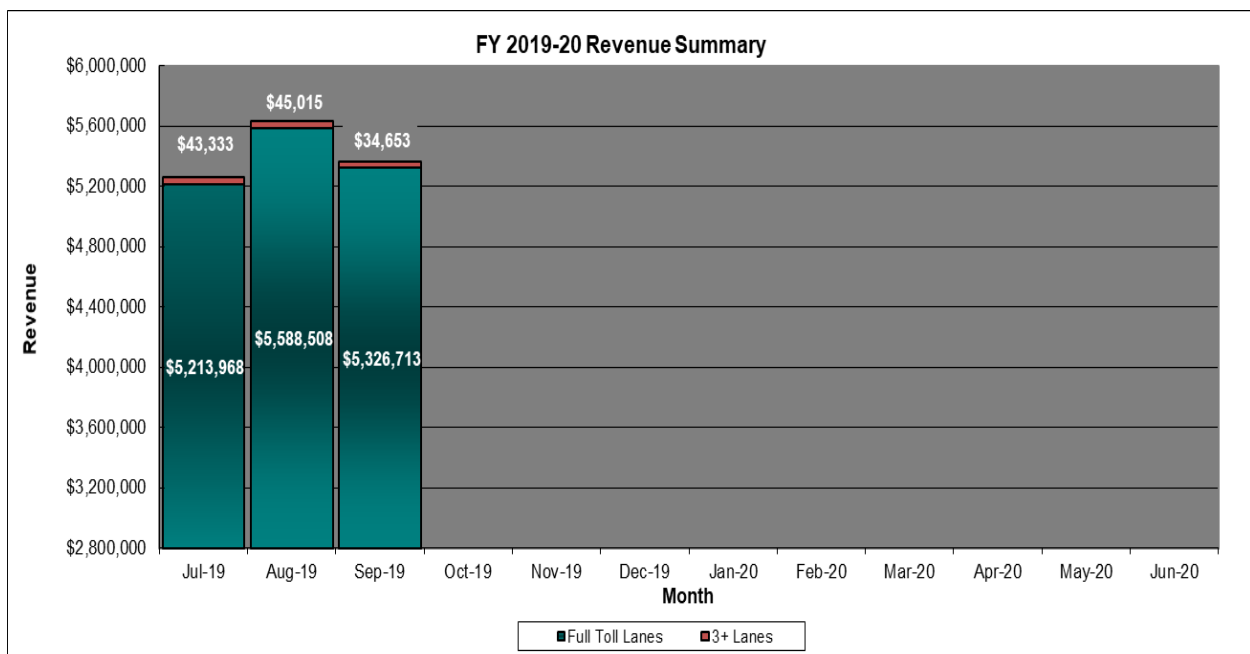
Trips	FY 2019-20 YTD Actual	Stantec YTD Projected	# Variance	% Variance	FY 2018-19 YTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	2,985,890	3,012,800	(26,910)	(0.9%)	2,944,870	1.4%
3+ Lanes	1,031,571	976,143	55,428	5.7%	944,106	9.3%
Total Gross Trips	4,017,461	3,988,943	28,518	0.7%	3,888,976	3.3%
Revenue						
Full Toll Lanes	\$16,129,189	\$11,740,443	\$4,388,746	37.4%	\$13,622,632	18.4%
3+ Lanes	\$123,001	\$0	\$123,001		\$107,755	14.1%
Total Gross Revenue	\$16,252,190	\$11,740,443	\$4,511,747	38.4%	\$13,730,387	18.4%
Average Revenue per Trip						
Average Full Toll Lanes	\$5.40	\$3.90	\$1.50	38.5%	\$4.63	16.6%
Average 3+ Lanes	\$0.12	\$0.00	\$0.12		\$0.11	9.1%
Average Gross Revenue	\$4.05	\$2.94	\$1.11	37.8%	\$3.53	14.7%

RCTC Traffic and Revenue Summary

The chart below reflects the total trips broken down between Full Toll lanes and HOV3+ lanes for FY 2019-20 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll lanes and HOV3+ lanes for FY 2019-20 on a monthly basis.



RCTC PEAK-HOUR VOLUMES

RCTC evaluates traffic volumes for peak period hours where Express Lanes performance is degraded quarterly and either increases or decreases tolls. Hours that are highlighted in yellow were flagged for continued evaluation. The next quarterly adjustment is scheduled for January 1, 2020.

RCTC EASTBOUND PEAK-HOUR VOLUMES

Eastbound PM Peak - County Line to McKinley

PM Time	Monday 09/02/19					Tuesday 09/03/19					Wednesday 09/04/19					Thursday 09/05/19					Friday 09/06/19				
	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	\$2.25	190	307	497	B	\$6.95	247	930	1,177	D	\$7.95	253	1,110	1,363	F	\$10.50	270	1,070	1,340	F	\$19.65	318	1,001	1,319	F
1500 - 1600	\$2.25	185	267	452	B	\$6.95	342	906	1,248	E	\$8.85	362	883	1,245	E	\$12.00	338	831	1,169	D	\$19.35	298	692	990	C
1600 - 1700	\$2.25	200	249	449	B	\$5.30	176	1,077	1,253	E	\$5.30	207	898	1,105	D	\$8.15	240	817	1,057	D	\$11.10	302	954	1,256	E
1700 - 1800	\$2.25	201	212	413	B	\$5.30	197	910	1,107	D	\$5.30	230	857	1,087	D	\$5.30	247	856	1,103	D	\$6.95	290	942	1,232	E
1800 - 1900	\$2.25	214	238	452	B	\$5.30	232	787	1,019	D	\$5.30	287	797	1,084	D	\$5.30	291	836	1,127	D	\$6.95	340	894	1,234	E
1900 - 2000	\$2.25	233	229	462	B	\$4.20	229	660	889	C	\$4.20	274	679	953	C	\$5.30	256	735	991	C	\$5.30	323	740	1,063	D

PM Time	Monday 09/09/19					Tuesday 09/10/19					Wednesday 09/11/19					Thursday 09/12/19					Friday 09/13/19				
	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	\$5.30	244	1,048	1,292	E	\$6.95	260	999	1,259	E	\$7.95	253	1,006	1,259	E	\$10.50	283	1,060	1,343	F	\$19.65	315	1,005	1,320	F
1500 - 1600	\$8.00	346	877	1,223	E	\$6.95	313	950	1,263	E	\$8.85	391	901	1,292	E	\$12.00	330	925	1,255	E	\$19.35	381	792	1,173	D
1600 - 1700	\$5.30	241	871	1,112	D	\$5.30	192	929	1,121	D	\$5.30	226	912	1,138	D	\$8.15	201	922	1,123	D	\$11.10	243	979	1,222	E
1700 - 1800	\$5.30	250	838	1,088	D	\$5.30	172	858	1,030	D	\$5.30	240	822	1,062	D	\$5.30	176	782	958	C	\$6.95	264	1,034	1,298	E
1800 - 1900	\$5.30	292	731	1,023	D	\$5.30	239	785	1,024	D	\$5.30	318	763	1,081	D	\$5.30	264	938	1,202	E	\$6.95	327	963	1,290	E
1900 - 2000	\$2.25	204	554	758	B	\$4.20	248	747	995	C	\$4.20	262	662	924	C	\$5.30	291	907	1,198	D	\$5.30	332	779	1,111	D

PM Time	Monday 09/16/19					Tuesday 09/17/19					Wednesday 09/18/19					Thursday 09/19/19					Friday 09/20/19				
	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	\$5.30	269	968	1,237	E	\$6.95	238	1,039	1,277	E	\$7.95	253	1,075	1,328	F	\$10.50	249	1,163	1,412	F	\$19.65	336	1,163	1,499	F
1500 - 1600	\$8.00	316	887	1,203	E	\$6.95	287	930	1,217	E	\$8.85	308	928	1,236	E	\$12.00	308	994	1,302	F	\$19.35	370	874	1,244	E
1600 - 1700	\$5.30	237	888	1,125	D	\$5.30	159	967	1,126	D	\$5.30	191	962	1,153	D	\$8.15	212	935	1,147	D	\$11.10	221	1,058	1,279	E
1700 - 1800	\$5.30	211	877	1,088	D	\$5.30	182	957	1,139	D	\$5.30	198	887	1,085	D	\$5.30	194	875	1,069	D	\$6.95	274	1,119	1,393	F
1800 - 1900	\$5.30	246	727	973	C	\$5.30	250	856	1,106	D	\$5.30	285	893	1,178	D	\$5.30	267	908	1,175	D	\$6.95	319	1,196	1,515	F
1900 - 2000	\$2.25	168	560	728	B	\$4.20	236	657	893	C	\$4.20	239	820	1,059	D	\$5.30	283	891	1,174	D	\$5.30	313	1,020	1,333	F

PM Time	Monday 09/23/19					Tuesday 09/24/19					Wednesday 09/25/19					Thursday 09/26/19					Friday 09/27/19				
	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	\$5.30	248	954	1,202	E	\$6.95	231	1,055	1,286	E	\$7.95	241	1,075	1,316	F	\$10.50	265	1,127	1,392	F	\$19.65	303	1,069	1,372	F
1500 - 1600	\$8.00	323	923	1,246	E	\$6.95	286	985	1,271	E	\$8.85	285	941	1,226	E	\$12.00	298	976	1,274	E	\$19.35	356	872	1,228	E
1600 - 1700	\$5.30	184	889	1,073	D	\$5.30	162	918	1,080	D	\$5.30	195	951	1,146	D	\$8.15	225	1,007	1,232	E	\$11.10	259	1,027	1,286	E
1700 - 1800	\$5.30	219	794	1,013	D	\$5.30	214	842	1,056	D	\$5.30	212	894	1,106	D	\$5.30	184	907	1,091	D	\$6.95	252	991	1,243	E
1800 - 1900	\$5.30	306	770	1,076	D	\$5.30	255	789	1,044	D	\$5.30	270	906	1,176	D	\$5.30	285	932	1,217	E	\$6.95	280	811	1,091	D
1900 - 2000	\$2.25	228	557	785	B	\$4.20	263	765	1,028	D	\$4.20	249	841	1,090	D	\$5.30	233	791	1,024	D	\$5.30	249	692	941	C

PM Time	Monday 09/30/19					Tuesday 10/01/19					Wednesday 10/02/19					Thursday 10/03/19					Friday 10/04/19				
	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	\$5.30	245	893	1,138	D																				
1500 - 1600	\$8.00	315	930	1,245	E																				
1600 - 1700	\$5.30	199	970	1,169	D																				
1700 - 1800	\$5.30	213	910	1,123	D																				
1800 - 1900	\$5.30	275	765	1,040	D																				
1900 - 2000	\$2.25	215	596	811	C																				

Eastbound PM Peak - County Line to I-15 South

PM Time	Monday 09/02/19					Tuesday 09/03/19					Wednesday 09/04/19					Thursday 09/05/19					Friday 09/06/19				
	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	\$1.95	113	167	280	A	\$2.95	126	704	830	C	\$2.95	129	771	900	C	\$5.30	143	768	911	C	\$5.30	146	656	802	C
1500 - 1600	\$1.95	115	161	276	A	\$2.95	155	568	723	B	\$5.30	163	632	795	B	\$5.30	146	597	743	B	\$2.95	143	437	580	B
1600 - 1700	\$1.95	87	163	250	A	\$2.95	92	663	755	B	\$2.95	99	605	704	B	\$2.95	123	556	679	B	\$2.95	152	581	733	B
1700 - 1800	\$1.95	99	150	249	A	\$2.95	107	561	668	B	\$2.95	127	563	690	B	\$2.95	133	636	769	B	\$2.95	124	566	690	B
1800 - 1900	\$1.95	130	144	274	A	\$2.95	126	584	710	B	\$2.95	151	611	762	B	\$2.95	142	587	729	B	\$2.95	129	525	654	B
1900 - 2000	\$1.95	143	160	303	A	\$2.95	130	546	676	B	\$2.95	165	502	667	B	\$2.95	168	567	735	B	\$2.95	163	484	647	B

PM Time	Monday 09/09/19					Tuesday 09/10/19					Wednesday 09/11/19					Thursday 09/12/19					Friday 09/13/19				
	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	\$2.95	126	691	817	C	\$2.95	138	731	869	C	\$2.95	149	789	938	C	\$5.30	126	761	887	C	\$5.30	167	764	931	C
1500 - 1600	\$2.95	177	650	827	C	\$2.95	178	635	813	C	\$5.30	183	627	810	C	\$5.30	144	645	789	B	\$2.95	143	521	664	B
1600 - 1700	\$2.95	134	645	779	B	\$2.95	85	672	757	B	\$2.95	122	601	723	B	\$2.95	101	589	690	B	\$2.95	125	652	777	B
1700 - 1800	\$2.95	125	554	679	B	\$2.95	85	616	701	B	\$2.95	118	554	672	B	\$2.95	104	537	641	B	\$2.95	142	668	810	C
1800 - 1900	\$2.95	137	483	620	B	\$2.95	122	543	665	B	\$2.95	166	562	728	B	\$2.95	133	612	745	B	\$2.95	144	677	821	C
1900 - 2000	\$2.95	123	392	515	B	\$2.95	136	543	679	B	\$2.95	161	552	713	B	\$2.95	152	653	805	C	\$2.95	194	608	802	C

PM Time	Monday 09/16/19					Tuesday 09/17/19					Wednesday 09/18/19					Thursday 09/19/19					Friday 09/20/19				
	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	\$2.95	129	638	767	B	\$2.95	125	690	815	C	\$2.95	143	801	944	C	\$5.30	117	737	854	C	\$5.30	164	694	858	C
1500 - 1600	\$2.95	143	647	790	B	\$2.95	128	675	803	C	\$5.30	151	605	756	B	\$5.30	127	664	791	B	\$2.95	166	594	760	B
1600 - 1700	\$2.95	114	560	674	B	\$2.95	115	695	810	C	\$2.95	88	647	735	B	\$2.95	86	618	704	B	\$2.95	108	584	692	B
1700 - 1800	\$2.95	100	618	718	B	\$2.95	96	584	680	B	\$2.95	112	606	718	B	\$2.95	94	579	673	B	\$2.95	121	624	745	B
1800 - 1900	\$2.95	140	524	664	B	\$2.95	123	636	759	B	\$2.95	129	589	718	B	\$2.95	123	542	665	B	\$2.95	146	663	809	C
1900 - 2000	\$2.95	104	365	469	B	\$2.95	158	491	649	B	\$2.95	138	599	737	B	\$2.95	173	569	742	B	\$2.95	158	569	727	B

PM Time	Monday 09/23/19					Tuesday 09/24/19					Wednesday 09/25/19					Thursday 09/26/19					Friday 09/27/19				
	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	\$2.95	123	647	770	B	\$2.95	118	749	867	C	\$2.95	149	840	989	C	\$5.30	129	819	948	C	\$5.30	162	768	930	C
1500 - 1600	\$2.95	148	687	835	C	\$2.95	143	643	786	B	\$5.30	167	657	824	C	\$5.30	150	690	840	C	\$2.95	172	630	802	C
1600 - 1700	\$2.95	102	638	740	B	\$2.95	97	654	751	B	\$2.95	73	626	699	B	\$2.95	125	679	804	C	\$2.95	111	623	734	B
1700 - 1800	\$2.95	126	569	695	B	\$2.95	104	579	683	B	\$2.95	110	620	730	B	\$2.95	96	515	611	B	\$2.95	101	591	692	B
1800 - 1900	\$2.95	179	552	731	B	\$2.95	103	572	675	B	\$2.95	141	598	739	B	\$2.95	140	617	757	B	\$2.95	135	544	679	B
1900 - 2000	\$2.95	121	403	524	B	\$2.95	142	633	775	B	\$2.95	146	600	746	B	\$2.95	141	545	686	B	\$2.95	130	388	518	B

PM Time	Monday 09/30/19					Tuesday 10/01/19					Wednesday 10/02/19					Thursday 10/03/19					Friday 10/04/19				
	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	\$2.95	110	656	766	B																				
1500 - 1600	\$2.95	148	738	886	C																				
1600 - 1700	\$2.95	102	634	736	B																				
1700 - 1800	\$2.95	111	673	784	B																				
1800 - 1900	\$2.95	143	559	702	B																				
1900 - 2000	\$2.95	129	399	528	B																				

RCTC WESTBOUND PEAK-HOUR VOLUMES

Westbound AM Peak - McKinley to County Line

AM Time	Monday 09/02/17					Tuesday 09/03/17					Wednesday 09/04/17					Thursday 09/05/17					Friday 09/06/17				
	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	\$1.55	17	29	46	A	\$9.45	449	1,071	1,520	F	\$9.45	514	1,174	1,688	F	\$9.45	504	1,074	1,578	F	\$5.30	433	704	1,137	D
0500 - 0600	\$1.55	39	64	103	A	\$21.45	640	959	1,599	F	\$18.40	581	706	1,287	E	\$18.15	496	627	1,123	D	\$10.85	540	1,025	1,565	F
0600 - 0700	\$1.55	30	63	93	A	\$18.10	355	790	1,145	D	\$18.05	440	938	1,378	F	\$18.05	549	998	1,547	F	\$10.10	536	1,158	1,694	F
0700 - 0800	\$1.55	89	133	222	A	\$15.00	405	1,225	1,630	F	\$15.75	384	1,136	1,520	F	\$13.95	434	1,299	1,733	F	\$7.95	377	1,244	1,621	F
0800 - 0900	\$1.55	159	255	414	B	\$10.10	252	1,386	1,638	F	\$10.10	247	1,346	1,593	F	\$10.85	297	1,515	1,812	F	\$6.95	240	1,216	1,456	F
0900 - 1000	\$2.25	238	327	565	B	\$7.95	185	1,320	1,505	F	\$6.95	175	1,311	1,486	F	\$7.95	172	1,223	1,395	F	\$4.20	168	912	1,080	D

AM Time	Monday 09/09/17					Tuesday 09/10/17					Wednesday 09/11/17					Thursday 09/12/17					Friday 09/13/17				
	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	\$9.45	504	1,074	1,578	F	\$9.45	440	1,029	1,469	F	\$9.45	482	1,049	1,531	F	\$9.45	481	1,067	1,548	F	\$5.30	416	725	1,141	D
0500 - 0600	\$21.90	591	805	1,396	F	\$21.45	704	1,005	1,709	F	\$18.40	566	721	1,287	E	\$18.15	614	757	1,371	F	\$10.85	530	986	1,516	F
0600 - 0700	\$20.20	428	832	1,260	E	\$18.10	368	751	1,119	D	\$18.05	495	943	1,438	F	\$18.05	476	968	1,444	F	\$10.10	493	1,172	1,665	F
0700 - 0800	\$15.00	425	1,238	1,663	F	\$15.00	443	1,203	1,646	F	\$15.75	425	1,180	1,605	F	\$13.95	404	1,295	1,699	F	\$7.95	392	1,228	1,620	F
0800 - 0900	\$10.10	271	1,426	1,697	F	\$10.10	275	1,420	1,695	F	\$10.10	266	1,432	1,698	F	\$10.85	205	1,422	1,627	F	\$6.95	201	1,186	1,387	F
0900 - 1000	\$6.95	161	1,155	1,316	E	\$7.95	169	1,208	1,377	F	\$6.95	210	1,156	1,366	F	\$7.95	138	1,186	1,324	E	\$4.20	134	877	1,011	D

AM Time	Monday 09/16/17					Tuesday 09/17/17					Wednesday 09/18/17					Thursday 09/19/17					Friday 09/20/17				
	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	\$9.45	483	1,082	1,565	F	\$9.45	483	1,073	1,556	F	\$9.45	530	1,123	1,653	F	\$9.45	473	1,088	1,561	F	\$5.30	415	691	1,106	D
0500 - 0600	\$21.90	563	779	1,342	E	\$21.45	693	963	1,656	F	\$18.40	535	695	1,230	E	\$18.15	543	669	1,212	E	\$10.85	538	1,042	1,580	F
0600 - 0700	\$20.20	432	836	1,268	E	\$18.10	397	784	1,181	D	\$18.05	492	886	1,378	F	\$18.05	481	942	1,423	F	\$10.10	523	1,214	1,737	F
0700 - 0800	\$15.00	402	1,265	1,667	F	\$15.00	401	1,235	1,636	F	\$15.75	449	1,256	1,705	F	\$13.95	416	1,285	1,701	F	\$7.95	380	1,236	1,616	F
0800 - 0900	\$10.10	170	1,396	1,566	F	\$10.10	191	1,440	1,631	F	\$10.10	190	1,427	1,617	F	\$10.85	152	1,456	1,608	F	\$6.95	147	1,220	1,367	F
0900 - 1000	\$6.95	176	1,091	1,267	E	\$7.95	154	1,198	1,352	F	\$6.95	171	1,303	1,474	F	\$7.95	152	1,237	1,389	F	\$4.20	159	954	1,113	D

AM Time	Monday 09/23/17					Tuesday 09/24/17					Wednesday 09/25/17					Thursday 09/26/17					Friday 09/27/17				
	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	\$9.45	439	1,132	1,571	F	\$9.45	368	1,265	1,633	F	\$9.45	422	1,160	1,582	F	\$9.45	492	1,077	1,569	F	\$5.30	389	735	1,124	D
0500 - 0600	\$21.90	458	917	1,375	F	\$21.45	601	994	1,595	F	\$18.40	428	804	1,232	E	\$18.15	509	817	1,326	E	\$10.85	435	959	1,394	F
0600 - 0700	\$20.20	324	948	1,272	E	\$18.10	348	836	1,184	D	\$18.05	384	989	1,373	F	\$18.05	370	976	1,346	E	\$10.10	434	1,218	1,652	F
0700 - 0800	\$15.00	289	1,268	1,557	F	\$15.00	310	1,394	1,704	F	\$15.75	325	1,255	1,580	F	\$13.95	378	1,205	1,583	F	\$7.95	322	1,337	1,659	F
0800 - 0900	\$10.10	119	1,502	1,621	F	\$10.10	148	1,451	1,599	F	\$10.10	185	1,507	1,692	F	\$10.85	228	1,414	1,642	F	\$6.95	169	1,167	1,336	E
0900 - 1000	\$6.95	136	1,099	1,235	E	\$7.95	195	1,267	1,462	F	\$6.95	191	1,297	1,488	F	\$7.95	176	1,195	1,371	F	\$4.20	208	740	948	C

AM Time	Monday 09/30/17					Tuesday 10/01/17					Wednesday 10/02/17					Thursday 10/03/17					Friday 10/04/17				
	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	\$9.45	482	1,112	1,594	F																				
0500 - 0600	\$21.90	443	903	1,346	E																				
0600 - 0700	\$20.20	343	906	1,249	E																				
0700 - 0800	\$15.00	261	1,323	1,584	F																				
0800 - 0900	\$10.10	92	1,487	1,579	F																				
0900 - 1000	\$6.95	195	1,121	1,316	E																				

Westbound AM Peak - I-15 North to County Line

AM Time	Monday 09/02/19					Tuesday 09/03/19					Wednesday 09/04/19					Thursday 09/05/19					Friday 09/06/19				
	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	\$1.95	30	27	57	A	\$5.30	292	782	1,074	D	\$5.30	292	735	1,027	D	\$5.30	288	726	1,014	D	\$2.95	217	642	859	C
0500 - 0600	\$1.95	33	78	111	A	\$17.25	404	1,027	1,431	F	\$15.55	439	1,017	1,456	F	\$14.15	411	938	1,349	E	\$6.85	352	836	1,188	D
0600 - 0700	\$1.95	30	86	116	A	\$17.55	368	1,006	1,374	E	\$19.65	386	1,000	1,386	E	\$14.50	321	895	1,216	E	\$6.85	330	986	1,316	E
0700 - 0800	\$1.95	49	95	144	A	\$13.45	271	1,129	1,400	E	\$12.45	256	1,173	1,429	F	\$11.40	281	1,233	1,514	F	\$6.85	217	994	1,211	E
0800 - 0900	\$1.95	68	159	227	A	\$8.85	172	1,254	1,426	F	\$6.85	172	1,330	1,502	F	\$8.85	157	1,155	1,312	E	\$5.30	152	915	1,067	D
0900 - 1000	\$1.95	154	246	400	A	\$5.30	122	962	1,084	D	\$5.30	110	975	1,085	D	\$5.30	116	840	956	C	\$2.95	103	674	777	B

AM Time	Monday 09/09/19					Tuesday 09/10/19					Wednesday 09/11/19					Thursday 09/12/19					Friday 09/13/19				
	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	\$6.85	301	790	1,091	D	\$5.30	296	758	1,054	D	\$5.30	306	727	1,033	D	\$5.30	297	700	997	C	\$2.95	259	639	898	C
0500 - 0600	\$18.00	440	1,003	1,443	F	\$17.25	444	1,017	1,461	F	\$15.55	472	1,043	1,515	F	\$14.15	433	1,024	1,457	F	\$6.85	376	823	1,199	D
0600 - 0700	\$19.35	366	997	1,363	E	\$17.55	370	1,000	1,370	E	\$19.65	358	1,012	1,370	E	\$14.50	384	1,039	1,423	F	\$6.85	317	966	1,283	E
0700 - 0800	\$12.80	287	1,209	1,496	F	\$13.45	313	1,221	1,534	F	\$12.45	294	1,237	1,531	F	\$11.40	305	1,202	1,507	F	\$6.85	228	974	1,202	E
0800 - 0900	\$8.85	175	1,155	1,330	E	\$8.85	177	1,390	1,567	F	\$6.85	174	1,266	1,440	F	\$8.85	145	1,250	1,395	E	\$5.30	131	896	1,027	D
0900 - 1000	\$5.30	109	855	964	C	\$5.30	118	918	1,036	D	\$5.30	133	990	1,123	D	\$5.30	99	907	1,006	D	\$2.95	67	672	739	B

AM Time	Monday 09/16/19					Tuesday 09/17/19					Wednesday 09/18/19					Thursday 09/19/19					Friday 09/20/19				
	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	\$6.85	297	787	1,084	D	\$5.30	284	730	1,014	D	\$5.30	303	782	1,085	D	\$5.30	287	727	1,014	D	\$2.95	251	628	879	C
0500 - 0600	\$18.00	412	985	1,397	E	\$17.25	427	1,002	1,429	F	\$15.55	424	1,027	1,451	F	\$14.15	438	1,034	1,472	F	\$6.85	350	869	1,219	E
0600 - 0700	\$19.35	389	1,001	1,390	E	\$17.55	374	1,024	1,398	E	\$19.65	374	1,034	1,408	F	\$14.50	397	1,067	1,464	F	\$6.85	327	1,004	1,331	E
0700 - 0800	\$12.80	299	1,210	1,509	F	\$13.45	302	1,211	1,513	F	\$12.45	293	1,220	1,513	F	\$11.40	286	1,241	1,527	F	\$6.85	227	962	1,189	D
0800 - 0900	\$8.85	141	1,168	1,309	E	\$8.85	118	1,384	1,502	F	\$6.85	155	1,266	1,421	F	\$8.85	79	1,166	1,245	E	\$5.30	101	945	1,046	D
0900 - 1000	\$5.30	111	767	878	C	\$5.30	101	977	1,078	D	\$5.30	92	939	1,031	D	\$5.30	90	928	1,018	D	\$2.95	93	661	754	B

AM Time	Monday 09/23/19					Tuesday 09/24/19					Wednesday 09/25/19					Thursday 09/26/19					Friday 09/27/19				
	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	\$6.85	243	829	1,072	D	\$5.30	225	880	1,105	D	\$5.30	241	836	1,077	D	\$5.30	299	751	1,050	D	\$2.95	238	664	902	C
0500 - 0600	\$18.00	316	1,217	1,533	F	\$17.25	369	1,070	1,439	F	\$15.55	324	1,177	1,501	F	\$14.15	375	1,101	1,476	F	\$6.85	268	857	1,125	D
0600 - 0700	\$19.35	280	1,129	1,409	F	\$17.55	349	1,070	1,419	F	\$19.65	304	1,090	1,394	E	\$14.50	310	1,109	1,419	F	\$6.85	315	1,149	1,464	F
0700 - 0800	\$12.80	195	1,271	1,466	F	\$13.45	211	1,305	1,516	F	\$12.45	210	1,258	1,468	F	\$11.40	263	1,253	1,516	F	\$6.85	205	1,032	1,237	E
0800 - 0900	\$8.85	113	1,312	1,425	F	\$8.85	93	1,330	1,423	F	\$6.85	118	1,353	1,471	F	\$8.85	170	1,364	1,534	F	\$5.30	113	875	988	C
0900 - 1000	\$5.30	88	898	986	C	\$5.30	106	1,060	1,166	D	\$5.30	111	970	1,081	D	\$5.30	118	852	970	C	\$2.95	125	659	784	B

AM Time	Monday 09/30/19					Tuesday 10/01/19					Wednesday 10/02/19					Thursday 10/03/19					Friday 10/04/19				
	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	\$6.85	254	834	1,088	D																				
0500 - 0600	\$18.00	308	1,167	1,475	F																				
0600 - 0700	\$19.35	287	1,122	1,409	F																				
0700 - 0800	\$12.80	199	1,220	1,419	F																				
0800 - 0900	\$8.85	59	1,284	1,343	E																				
0900 - 1000	\$5.30	91	819	910	C																				

RCTC OPERATIONAL HIGHLIGHTS

On-road Operations

RCTC Freeway Service Patrol (FSP) responded to 85 calls during the month of September. Of those calls, 71 were to assist disabled vehicles, 6 were to remove debris, and 8 were in response to accidents.

6C Transponder Technology

Planning for the transition to the new transponder technology is underway. The lane systems have been upgraded. Changes to the back-office system to process the new transponders and make changes to the customer account plans are being finalized and will be released to the customer along with the new sticker transponders in December of this year. A series of customer communications has been developed and will be mailed or emailed to customers over a period of several months.

FINANCIAL HIGHLIGHTS RCTC

RCTC 91 Express Lanes Operating Statement

Description	YTD as of :		YTD Variance	
	Actual ¹	9/30/2019 Budget	Dollar \$	Percent (%)
Operating revenues:				
Toll Revenue	\$ 15,169,825.81	\$ 9,147,275.00	\$ 6,022,550.81	65.8
Fee Revenue	2,009,382.91	1,320,075.00	689,307.91	52.2
Total operating revenues	17,179,208.72	10,467,350.00	6,711,858.72	64.1
Operating expenses:				
Salaries and Benefits	241,854.05	338,350.00	96,495.95	28.5
Legal Services	36,291.03	87,500.00	51,208.97	58.5
Advisory Services	3,008.33	18,750.00	15,741.67	84.0
Audit and Accounting Fees	-	11,750.00	11,750.00	100.0
Service Fees	(567.66) ²	6,500.00	7,067.66	108.7
Other Professional Services	(11,452.10) ²	368,975.00	380,427.10	103.1
Lease Expense	56,465.41	64,125.00	7,659.59	11.9
Operations	950,662.70	907,125.00	(43,537.70)	(4.8)
Utilities	(1,229.96) ²	15,625.00	16,854.96	107.9
Supplies and Materials	178.95	1,250.00	1,071.05	85.7
Membership and Subscription Fees	6,148.25	6,250.00	101.75	1.6
Office Equipment & Furniture (Non-Capital)	-	1,250.00	1,250.00	100.0
Maintenance/Repairs	45,290.68	87,450.00	42,159.32	48.2
Training Seminars and Conferences	-	1,125.00	1,125.00	100.0
Transportation Expenses	79.84	1,875.00	1,795.16	95.7
Lodging	840.90	1,750.00	909.10	51.9
Meals	302.88	250.00	(52.88)	(21.2)
Other Staff Expenses	123.00	250.00	127.00	50.8
Advertising	(2,950.50) ²	47,500.00	50,450.50	106.2
Program Management	13,773.73	-	(13,773.73)	N/A
Program Operations	1,927,759.33	2,664,175.00	736,415.67	27.6
Litigation Settlement	-	2,500.00	2,500.00	100.0
Furniture & Equipment	(0.16) ²	187,500.00	187,500.16	100.0
Improvements	16,032.27	4,025.00	(12,007.27)	(298.3)
Bad Debt Expense	(1.40)	-	1.40	N/A
Total operating expenses	3,282,609.57	4,825,850.00	1,543,240.43	32.0
Operating income (loss)	13,896,599.15	5,641,500.00	8,255,099.15	146.3
Nonoperating revenues (expenses):				
Interest Revenue	578,455.37	380,525.00	197,930.37	(52.0)
Other Miscellaneous Revenue	580,497.11	-	580,497.11	N/A
Interest Expense	(5,393,267.00)	(1,779,975.00)	(3,613,292.00)	203.0
Total nonoperating revenues (expenses)	(4,234,314.52)	(1,399,450.00)	(2,834,864.52)	(202.6)
Transfers In	-	-	-	N/A
Transfers Out	-	(764,875.00)	764,875.00	(100.0)
Net income (loss)	\$ 9,662,284.63	\$ 3,477,175.00	\$ 6,185,109.63	177.9

¹ Unaudited

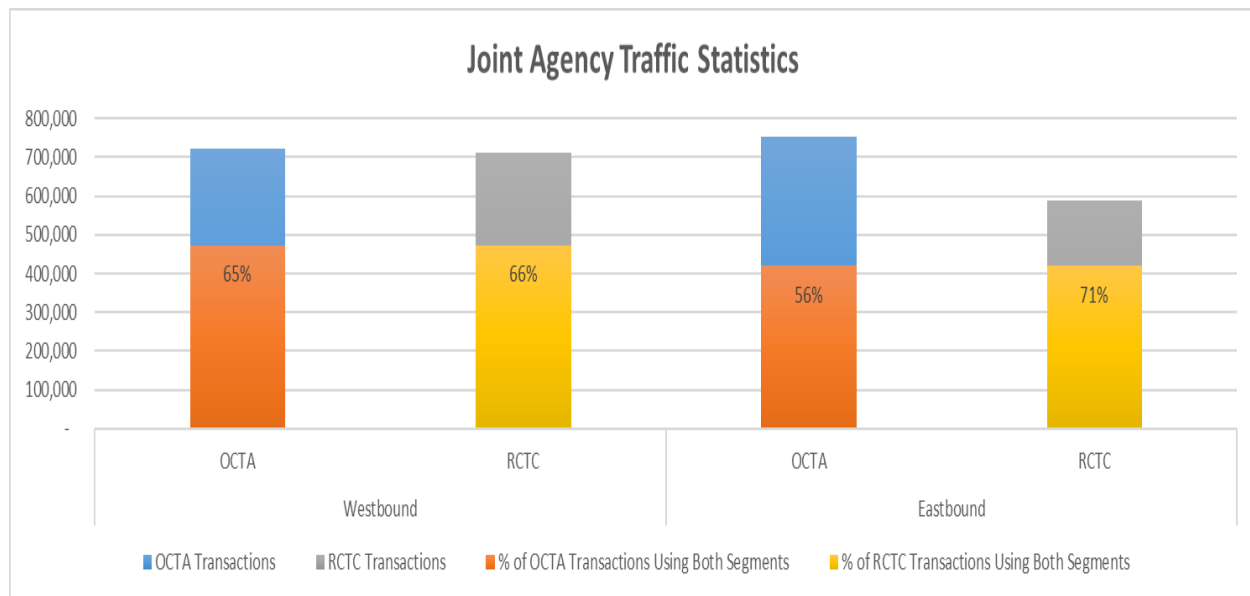
² Negatives are the result of FY2018/19 accruals

JOINT AGENCY TRIP AND REVENUE STATISTICS

MONTH ENDING September 30, 2019

MTD	Transactions by Agency	Transactions Using Both Segments	% Using Both Segments	Revenue
Westbound				
OCTA	723,414	473,075	65%	\$ 1,854,653
RCTC	712,047	473,075	66%	\$ 3,536,922
I-15	306,579	208,441	68%	\$ 1,534,134
McKinley	405,468	264,634	65%	\$ 2,002,788
Eastbound				
OCTA	754,167	420,146	56%	\$ 2,585,695
RCTC	588,243	420,146	71%	\$ 1,824,444
I-15	220,731	168,220	76%	\$ 473,835
McKinley	367,512	251,926	69%	\$ 1,350,609

JOINT AGENCY TRAFFIC STATISTICS



JOINT AGENCY PERFORMANCE MEASURES

REPORTING REQUIREMENT	Reporting Period	PERFORMANCE STANDARD	Sep-19 Performance
CUSTOMER SERVICE			
Call Wait Time	Monthly	Not to exceed 2 minutes	1:48
Abandon Rate	Monthly	No more than 4.0%	2.7%
Customer Satisfaction	Monthly	At least 75 outbound calls	76
VIOLATION PROCESSING			
Response Time	Monthly	Within 2 business days of receipt	0.8
CUSA Violation Collection Rate	Quarterly	70% or more	71%
CUSA Violation Collection Rate	Annually	74% or more	
TRAFFIC OPERATIONS			
Initial & Secondary Reviews	Monthly	Equal to or less than 15 days	0.8
* 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.

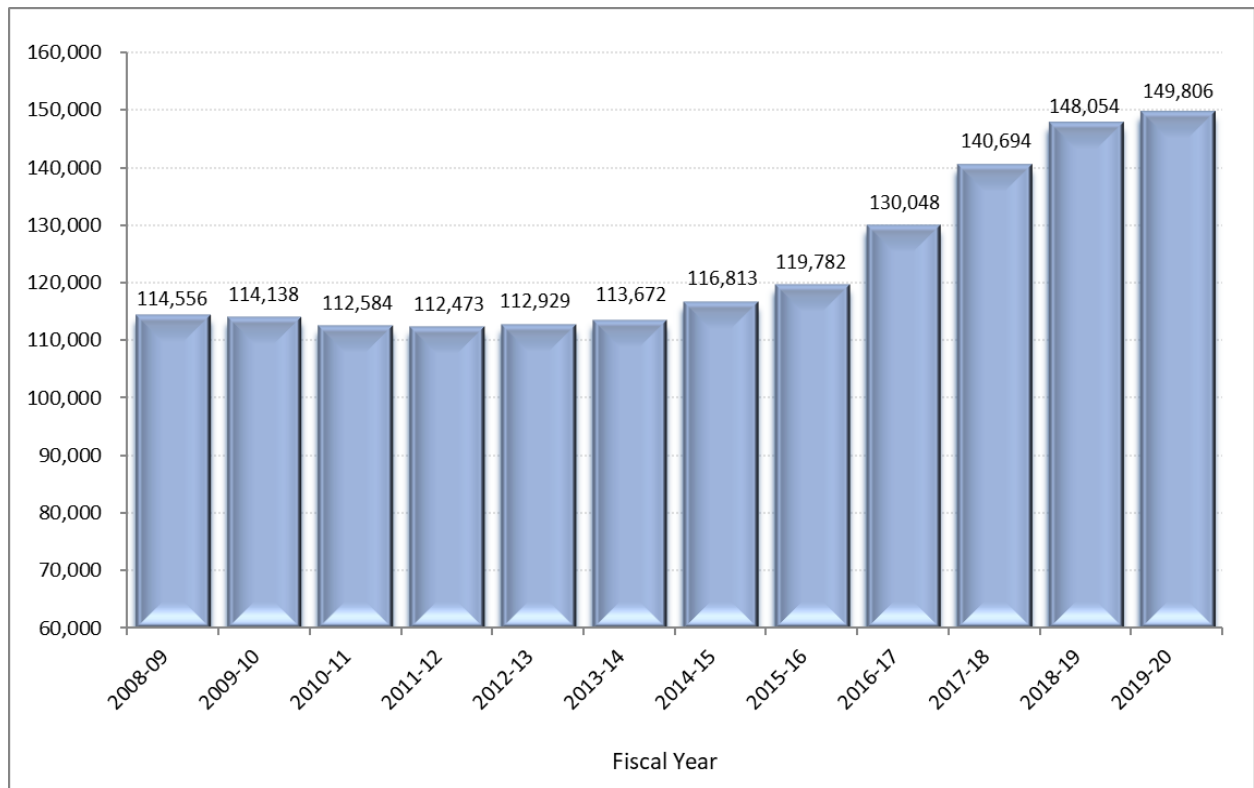
JOINT AGENCY TRANSPONDER DISTRIBUTION

TRANSPONDER DISTRIBUTION	September-19		August-19		FY 2019-20	
	Tags	% of Total	Tags	% of Total	Average To-Date	
Issued						
To New Accounts	1,640	54.7%	1,586	52.1%	1,556	51.2%
Additional Tags to Existing Accounts	865	28.9%	889	29.2%	891	29.3%
Replacement Transponders	492	16.4%	567	18.6%	591	19.4%
Total Issued	2,997		3,042		3,038	
Returned						
Account Closures	588	40.8%	440	39.9%	511	39.3%
Accounts Downsizing	218	15.1%	114	10.3%	167	12.8%
Defective Transponders	635	44.1%	550	49.8%	622	47.8%
Total Returned	1,441		1,104		1,300	

At the end of September 2019, the 91 Express Lanes had 149,806 active customer accounts, and 228,436 transponders classified as Assigned.

Number of Accounts by Fiscal Year

As of September 30, 2019



Incoming Email Activity

During September, the Anaheim Processing Center received 3,608 emails.



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2019-20 First Quarter Grant Reimbursement Status Report

Overview

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of July through September 2019.

Recommendation

Receive and file as an information item.

Discussion

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

Awarded/Executed Grant Agreements:

OCTA executed two formula grants during the first quarter, which are summarized below.

Federal Fiscal Year (FFY) 2018 Federal Transit Administration (FTA) Section 5307 Formula Grant Program:

OCTA executed a grant agreement with FTA to secure the OCTA's FTA Section 5307 formula fund allocations for FFY 2018. The grant agreement secures \$50.9 million in federal capital and operating assistance to support salaries and benefits of OCTA's maintenance staff, capital cost of contracting, and non-fixed-route paratransit operating assistance.

FFY 2018 FTA Section 5310 Enhanced Mobility for Seniors and Disabled:

OCTA executed an FTA grant agreement to secure \$2 million in FTA Section 5310 funds allocated to OCTA for FFY 2018. The funds will be used to support the capital costs of contracting for ACCESS services.

Current Grant Agreements:

OCTA's FTA formula grant agreements total 11, and FTA discretionary grant agreements total four (Attachment A).

The 11 FTA formula grant agreements have a total federal amount of \$335 million. A total of \$256.9 million has been reimbursed, leaving a balance of approximately \$78.1 million. The balance of these 11 FTA formula grant agreements will primarily fund the OC Streetcar, fixed-route bus procurements, rideshare and vanpool programs, Laguna Niguel/San Juan Capistrano passing siding project, and rail rehabilitation projects.

The four FTA discretionary grant agreements have a total federal amount of \$166.8 million. This includes the full funding grant agreement award of \$148.9 million. A total of \$31.6 million has been reimbursed, leaving a balance of \$135.2 million. The balance of these four FTA discretionary grant agreements will primarily fund the OC Streetcar and slope stabilization improvements on the railroad right-of-way from the City of Laguna Niguel to the City of Lake Forest. The balance will also fund security camera surveillance systems for commuter rail stations and transit facilities located in the cities of Anaheim, Garden Grove, Laguna Niguel/Mission Viejo, Orange, Placentia, and Santa Ana.

The total FTA formula and discretionary grant agreements amount to \$501.9 million. The total amount reimbursed through the first quarter under these grant agreements is \$288.6 million, leaving a balance of \$213.3 million.

OCTA also has 31 active State and Federal Highway Administration (FHWA) formula grant agreements (Attachment B) and 18 active State discretionary grant agreements (Attachment C).

The 31 State and FHWA formula grant agreements total \$207 million. The total amount reimbursed through the first quarter under these other grant agreements is \$158.9 million, leaving a balance of \$48.1 million.

The 18 State discretionary grant agreements total approximately \$23.3 million. A total of \$1.7 million of these discretionary grant agreements has been reimbursed, leaving a balance of \$21.5 million. These State discretionary grant agreements have a defined grant expiration date. Project expenses must be fully paid and reimbursed prior to the grant agreement expiration date.

This report activity is as of September 30, 2019, and any grants with a deadline between the quarter end and the date this report is published will be fully reimbursed and closed out. This activity will be reflected in next quarter's report. Additionally, for these grants, staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

Grant Agreements Pending Close-out:

There are nine grant agreements totaling \$86 million which are pending close-out in the first quarter of fiscal year (FY) 2019-20. All invoices for these grant agreements have been submitted to the external funding agency for reimbursement, and OCTA is pending final payment and/or approval of close-out documentation. These grant agreements are summarized in Attachment D.

Closed Grant Agreements:

There are six grant agreements totaling \$19.6 million that were closed out in the first quarter of FY 2019-20. These grant agreements are summarized in Attachment E.

Summary

This report provides an update of the grant agreement funded activities for the first quarter of FY 2019-20, June through September 2019. Staff recommends this report be received and filed as an information item.

Attachments

- A. First Quarter Grant Reimbursement Status Report, July through September 2019, Federal Transit Administration Formula and Discretionary Grant Agreements
- B. First Quarter Grant Reimbursement Status Report, July through September 2019, State and Federal Highway Administration Formula Grant Agreements
- C. First Quarter Grant Reimbursement Status Report, July through September 2019, State Discretionary Grant Agreements
- D. First Quarter Grant Reimbursement Status Report, July through September 2019, Grant Agreements Pending Close-out
- E. First Quarter Grant Reimbursement Status Report, July through September 2019, Closed Grant Agreements

Prepared by:

A handwritten signature in blue ink that reads "Sypindayit Kaur".

Sam Kaur
Department Manager,
Revenue and Grants Administration
714-560-5889

Approved by:

A handwritten signature in blue ink that reads "A. Oftelie".

Andrew Oftelie
Chief Financial Officer,
Finance and Administration
714-560-5649

First Quarter Grant Reimbursement Status Report
July through September 2019

Federal Transit Administration Formula and Discretionary Grant Agreements						
FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT	
FTA Section 5307 - Urbanized Area Formula Grant Program						
1	CA-90-Y942	\$ 57,746,966	\$ 57,623,333	\$ 123,633	June 2020	
2	CA-90-Z027	53,878,508	53,527,563	350,945	June 2021	
3	CA-90-Z174	55,129,189	55,095,991	33,198	December 2019	
4	CA-2016-032	55,400,721	54,919,692	481,029	September 2021	
5	CA-2019-171	50,901,127	0	50,901,127	December 2019	
FTA Section 5307 Grant Subtotal		\$ 273,056,511	\$ 221,166,579	\$ 51,889,932		
FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA):						
6	CA-95-X131	\$ 2,102,650	\$ 1,766,020	\$ 336,630	June 2020	
7	CA-95-X254	5,657,000	4,738,149	918,851	September 2020	
8	CA-95-X286	6,621,000	5,123,443	1,497,557	October 2021	
9	CA-2017-072	31,567,405	12,532,493	19,034,912	October 2021	
FTA Section 5307 Flexed Grant Subtotal		\$ 45,948,055	\$ 24,160,105	\$ 21,787,950		
FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program						
10	CA-2019-160	\$ 2,129,107	\$ 0	\$ 2,129,107	December 2019	
FTA Section 5310 Grant Subtotal		\$ 2,129,107	\$ 0	\$ 2,129,107		
FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program						
11	CA-37-X113	\$ 13,962,488	\$ 11,641,530	\$ 2,320,958	December 2020	
FTA Section 5316 Grant Subtotal		\$ 13,962,488	\$ 11,641,530	\$ 2,320,958		
Federal Transit Administration Formula Grants Total		\$ 335,096,161	\$ 256,968,214	\$ 78,127,947		
FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT	
FTA Section 5309 - Discretionary Capital Grant Program						
12	CA-04-0078	\$ 7,021,300	\$ 6,029,240	\$ 992,060	September 2020	
13	CA-04-0122	4,845,999	4,441,429	404,570	December 2020	
14	CA-05-0269	6,000,000	4,642,001	1,357,999	March 2020	
FTA Section 5309 Grant Subtotal		\$ 17,867,299	\$ 15,112,670	\$ 2,754,629		
FTA Section 5309 - Discretionary Capital Grant Program (FFGA)						
15	CA-2019-018	\$ 148,955,409	\$ 16,558,559	\$ 132,396,850	June 2021	
FTA Section 5309 FFGA Grant Subtotal		\$ 148,955,409	\$ 16,558,559	\$ 132,396,850		

First Quarter Grant Reimbursement Status Report
July through September 2019

Federal Transit Administration Formula and Discretionary Grant Agreements					
Federal Transit Administration Discretionary Grants Total		\$	166,822,708	\$	31,671,229
				\$	135,151,479
Total Federal Transit Administration Formula and Discretionary Grant Agreements		\$	501,918,869	\$	288,639,443
				\$	213,279,426

Funding Source Notes:

- FTA Section 5307 - Urbanized Area Formula Grant Program: Funds are used to fund preventive maintenance, capital cost of contracting, and to purchase revenue vehicles, facility modifications, and bus-related equipment.
- FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program: Formula funding to states for the purpose of assisting nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities.
- FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program: Grants provide funds to support new transit services and to establish mobility management programs to assist low-income individuals.
- FTA Section 5309 - Discretionary Capital Grant Program: Grants provide for projects that improve efficiency and coordination of transportation systems.
- FTA Section 5309 - Discretionary Capital Grant Program (FFGA): Grants provide for projects that improve efficiency and coordination of transportation systems.

First Quarter Grant Reimbursement Status Report
July through September 2019

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
Active Transportation Program (ATP)						
1	2017	Orange County Active Transportation Plan (PS&E)	\$ 280,000	\$ 251,106	\$ 28,894	November 2019
ATP Subtotal			\$ 280,000	\$ 251,106	\$ 28,894	
Federal Highway Administration Grant Program - Congestion Mitigation & Air Quality (CMAQ)						
2	2012	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (PS&E)	\$ 4,246,000	\$ 3,362,977	\$ 883,023	June 2020
3	2013	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (ROW)	8,000,000	4,009,067	3,990,933	June 2020
4	2015	I-5 from the Orange/San Diego County Line to Avenida Pico (PA/ED)	450,000	431,447	18,553	June 2020
5	2015	I-5, SR-55 to SR-57 (PS&E)	2,800,000	2,352,003	447,997	June 2020
CMAQ Subtotal			\$ 15,496,000	\$ 10,155,494	\$ 5,340,506	
Federal Highway Administration Grant Program - Regional Surface Transportation Program (RSTP)						
6	2013	I-5, I-405 to SR-55 (PA/ED)	\$ 8,000,000	\$ 6,479,204	\$ 1,520,796	June 2020
7	2014	I-5 Segment 2, Oso Pkwy to Alicia Pkwy (PS&E)	10,000,000	9,739,572	260,428	June 2021
8	2015	I-405, I-5 to SR-55 (PA/ED)	8,000,000	6,382,025	1,617,975	December 2019
9	2015	I-5 Segment 1, SR-73 to Oso Pkwy (PS&E)	9,101,000	8,633,382	467,618	June 2020
10	2015	I-5 Segment 3, Alicia Pkwy to El Toro Rd (PS&E)	8,044,000	6,815,536	1,228,464	June 2020
11	2015	SR-91, SR-57 to SR-55 (PA/ED)	7,000,000	4,075,897	2,924,103	June 2020
12	2016	SR-57, Orangewood to Katella Ave (PA/ED)	2,500,000	1,717,037	782,963	June 2021
13	2017	SR-55, I-5 to SR-91 (PA/ED)	5,000,000	3,064,188	1,935,812	June 2022
RSTP Subtotal			\$ 57,645,000	\$ 46,906,840	\$ 10,738,160	
Federal Highway Administration Grant Program - State Transportation Block Grant (STBG)						
14	2016	I-405, SR-73 to I-605 (Construction)	\$ 1,000	\$ 0	\$ 1,000	June 2021
15	2018	SR-55, I-405 to I-5 (PS&E)	13,800,000	10,438,189	3,361,811	June 2023
STBG Subtotal			\$ 13,801,000	\$ 10,438,189	\$ 3,362,811	
Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)						
16	2017	Bus Bicycle Racks	\$ 766,345	\$ 146,978	\$ 619,367	May 2020
17	2018	Bravo! Route 529 Start-up & Operations	4,787,534	2,329,507	2,458,027	June 2022
18	2019	Battery Electric Buses, Bus Depot Upgrades & Charging Infrastructure	2,523,000	0	2,523,000	June 2023
19	2019	Bravo! Main Street Operations	2,912,976	0	2,912,976	June 2023
20	2019	College Fare Program for Fullerton	381,523	0	381,523	August 2022
21	2019	College Fare Program for Golden West	215,279	0	215,279	August 2022
22	2019	College Fare Program for Santa Ana College	393,198	0	393,198	August 2020
23	2019	Travel Training	685,000	28,828	656,172	July 2022
CAP & TRADE LCTOP Subtotal			\$ 12,664,855	\$ 2,505,313	\$ 10,159,542	

First Quarter Grant Reimbursement Status Report
July through September 2019

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
SAFETEAU: Projects of National and Regional Significance (PNRS)						
24	2013	Lakeview Ave Grade Separation (Construction)	\$ 9,709,030	\$ 9,519,323	\$ 189,707	June 2020
SAFETEAU-PNRS Subtotal			\$ 9,709,030	\$ 9,519,323	\$ 189,707	
State Proposition 1B: Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)						
25	2015	Raymond Ave Grade Separation Project (Construction)	\$ 44,234,008	\$ 38,463,516	\$ 5,770,492	May 2020
PROP 1B PTMISEA Subtotal			\$ 44,234,008	\$ 38,463,516	\$ 5,770,492	
State Proposition 1B: Trade Corridor Improvement Fund (TCIF)						
26	2013	Lakeview Ave Grade Separation (Construction)	\$ 26,704,499	\$ 25,198,162	\$ 1,506,337	June 2020
PROP 1B TCIF Subtotal			\$ 26,704,499	\$ 25,198,162	\$ 1,506,337	
State Transportation Improvement Plan (STIP) Programming, Planning & Monitoring (PPM)						
27	2019	PPM Program	\$ 1,481,000	\$ 0	\$ 1,481,000	December 2021
STIP PPM Subtotal			\$ 1,481,000	\$ 0	\$ 1,481,000	
State Transportation Improvement Program (PTA)						
28	2016	Orange Transportation Center Parking Structure (Construction)	\$ 13,762,000	\$ 10,264,970	\$ 3,497,030	June 2020
STIP PTA Subtotal			\$ 13,762,000	\$ 10,264,970	\$ 3,497,030	
Senate Bill 1: State of Good Repair						
29	2018	Heating-Ventilation Unit Replacements at Anaheim Base Maintenance	\$ 66,681	\$ 15,010	\$ 51,671	January 2020
30	2018	Ten Zero-Emission Hydrogen Fuel Cell Buses	5,606,362	5,181,389	424,973	March 2020
31	2019	iShuttle Replacement Buses	5,580,604	0	5,580,604	August 2023
SB1 SGR Subtotal			\$ 11,253,647	\$ 5,196,399	\$ 6,057,248	
Total State and Federal Highway Administration Formula Grant Agreements			\$ 207,031,039	\$ 158,899,311	\$ 48,131,728	

First Quarter Grant Reimbursement Status Report
July through September 2019

ATTACHMENT C

State Discretionary Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
South Coast Air Quality Management District (SCAQMD)						
1	2018	Ten Zero-Emission Hydrogen Fuel Cell Buses	\$ 1,000,000	\$ 400,000	\$ 600,000	March 2020
SCAQMD Subtotal			\$ 1,000,000	\$ 400,000	\$ 600,000	
California Air Resources Board (CARB)						
2	2018	Facility Upgrades	\$ 339,819	\$ 0	\$ 339,819	November 2019
3	2018	Hydrogen Station	5,488,273	571,089	4,917,184	January 2020
4	2018	Ten Zero-Emission Hydrogen Fuel Cell Buses	6,338,000	200,000	6,138,000	March 2020
CARB Subtotal			\$ 12,166,092	\$ 771,089	\$ 11,395,003	
Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC)						
5	2015	Bicycle Corridor Improvement	\$ 836,413	\$ 82,000	\$ 754,413	June 2020
6	2018	Hydrogen Detection	642,000	0	642,000	July 2020
7	2019	La Habra Union Pacific Rail Bikeway	91,760	0	91,760	November 2023
MSRC Subtotal			\$ 1,570,173	\$ 82,000	\$ 1,488,173	
Highway Safety Plan (HSP) - California Office of Traffic Safety (OTS)						
8	2019	Bicycle & Pedestrian Facilities Program	\$ 75,000	\$ 0	\$ 75,000	October 2019
OTS Subtotal			\$ 75,000	\$ 0	\$ 75,000	
Systemic Safety Analysis Reporting Program						
9	2016	Systemic Safety Analysis Report	\$ 315,000	\$ 238,434	\$ 76,566	September 2021
SSARP Subtotal			\$ 315,000	\$ 238,434	\$ 76,566	
Transit Security Grant Program (TSGP) - State Office of Homeland Security						
10	2017	Be The One Campaign	\$ 75,000	\$ 38,534	\$ 36,467	August 2020
TSGP Subtotal			\$ 75,000	\$ 38,534	\$ 36,467	
TSA National Explosives Detection Canine Team Program (NEDCTP) - Department of Homeland Security						
11	2019	Transportation Security Administration Canine	\$ 151,500	\$ 77,242	\$ 74,258	December 2019
TSA K9 Subtotal			\$ 151,500	\$ 77,242	\$ 74,258	
Senate Bill 1: Local Partnership Program						
12	2018	Garden Grove Blvd Signal Synchronization (Construction)	\$ 1,353,000	\$ 0	\$ 1,353,000	December 2023
13	2018	Katella Ave Signal Synchronization (Construction)	2,449,000	0	2,449,000	December 2023
14	2018	Los Olisos Blvd Signal Synchronization (Construction)	1,117,000	0	1,117,000	December 2023
15	2018	Main Street Signal Synchronization (Construction)	1,926,000	0	1,926,000	December 2023
SB1 LPP Subtotal			\$ 6,845,000	\$ 0	\$ 6,845,000	
Senate Bill 1: Planning Grants						

First Quarter Grant Reimbursement Status Report
July through September 2019

State Discretionary Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
16	2019	Orange County Rail Infrastructure Defense Against Climate Change	\$ 461,771	\$ 0	\$ 461,771	February 2021
17	2019	Safe Routes to School Action Plan	264,000	0	264,000	February 2021
SB1 PL Subtotal			\$ 725,771	\$ 0	\$ 725,771	
Caltrans State Planning and Research Grant						
18	2018	SR-39 Beach Boulevard Corridor Study	\$ 345,000	\$ 136,508	\$ 208,492	February 2020
SPR Subtotal			\$ 345,000	\$ 136,508	\$ 208,492	
Total State Discretionary Grant Agreements			\$ 23,268,536	\$ 1,743,807	\$ 21,524,729	

First Quarter Grant Reimbursement Status Report
July through September 2019

Grant Agreements Pending Close-out						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2016	CAP & TRADE LCTOP	Bravo! Route 529 Bus Acquisition	\$ 3,045,578	\$ 3,045,578	\$ 0
2	2011	CMAQ	Lakeview Ave Grade Separation (ROW)	16,407,023	16,407,023	0
3	2012	CMAQ	Lakeview Ave Grade Separation (ROW Utility Relocation)	72,070	72,070	0
4	2012	PROP 1B TCIF	Tustin Ave / Rose Dr Grade Separation Project (Construction)	22,534,386	22,534,386	0
5	2017	PROP 1B TSSSDRA	San Juan Creek Rail Bridge Replacement (ROW)	58,950	58,950	0
6	2011	RSTP	Tustin Ave / Rose Dr Grade Separation Project (ROW Utility Rel	28,189	28,189	0
7	2011	RSTP	Tustin Ave / Rose Dr Grade Separation Project (ROW)	23,719,811	23,719,811	0
8	2012	RSTP	Lakeview Ave Grade Separation (ROW)	11,527,563	11,527,563	0
9	2012	RSTP	Tustin Ave / Rose Dr Grade Separation Project (Construction)	8,700,440	8,700,440	0
Total Grant Agreements Pending Close-out				\$ 86,094,010	\$ 86,094,010	\$ 0

First Quarter Grant Reimbursement Status Report
July through September 2019

Closed Grant Agreements						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2017	CAP & TRADE TIRCP	Mobile Ticketing (Construction)	\$ 2,413,997	\$ 2,413,997	\$ 0
2	2013	CMAQ	FTA CA-95-X210	12,669,000	12,669,000	0
3	2013	FTA Section 5310	FTA 64AM16-00157	630,416	589,135	41,281
4	2015	PROP 1B PTMISEA	Fullerton Transportation Center Elevator Project (Construction)	500,000	500,000	0
5	2017	STIP PPM	PPM Program	1,899,000	1,899,000	0
6	2018	STIP PPM	PPM Program	1,482,000	1,482,000	0
Total Closed Grants				\$ 19,594,413	\$ 19,553,132	\$ 41,281



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Update on the Loan Agreements with the Cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board

Overview

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. Per Board of Directors' direction, staff provides annual updates on the status of the agreements.

Recommendation

Receive and file as an information item.

Background

City of Anaheim

In July 2012, Orange County Transportation Authority (OCTA) entered into a purchase and sale agreement of \$32.5 million with the City of Anaheim (Anaheim) selling real property to enable the construction of the Anaheim Regional Transportation Intermodal Center. Anaheim provided \$1 million as a down payment into escrow, with the remaining \$31.5 million to be paid over a 13-year period. The interest rate on the loan is set at a fixed-interest rate of two percent, with the interest portion of the loan to be paid in the final two years of the loan period.

Anaheim uses its Measure M2 (M2) Local Fair Share (LFS) funds to repay the loan, and the funds have been automatically deducted from Anaheim's bimonthly LFS payments since July 2012. The loan repayments will continue to be deducted from M2 LFS payments until the loan balance reaches zero in fiscal year (FY) 2024-25. Should Anaheim become ineligible to receive LFS, or if the LFS funds are insufficient to meet the scheduled payment, California Highway Users Tax Account funds would be utilized to make the payments.

City of Buena Park

In April 2016, OCTA entered into a purchase and sale agreement of \$1.04 million with the City of Buena Park (Buena Park) selling excess parcel remnants from the Interstate 5 freeway widening project. Buena Park provided \$514,000 as a down payment. Per the agreement, Buena Park will pay the balance over a five-year period until April 2021, with the balance secured by a deed of trust. In April 2017, Buena Park began making annual principal payments of \$105,200 plus interest. The interest calculation is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. The interest rate for FY2017-18 was 2.39 percent.

City of Placentia

In February 2010, OCTA entered into a loan agreement with the City of Placentia (Placentia) for \$4.1 million so Placentia could repay California Department of Transportation for ineligible expenditures on rail grade separation projects. The loan amount of \$4.1 million is to be repaid over a 19-year period that began July 1, 2011. The interest rate on the loan is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. The current interest rate is 2.13 percent.

Placentia uses its M2 LFS funds to repay the loan, and the funds are automatically deducted from Placentia's bi-monthly LFS payments. The agreement allows OCTA to withhold 30 percent of Placentia's LFS funds beginning in FY 2011-12. Placentia's contribution increases by one percentage point each FY thereafter until the advance is fully repaid. Placentia's current contribution is 38 percent of their LFS payments. Should Placentia become ineligible to receive LFS, Placentia would be required to pledge other appropriate funding to repay the full amount of the advance and interest thereon.

West Orange County Water Board

In October 2017, OCTA entered into a reimbursement agreement with the West Orange County Water Board (WOCWB) for up to \$4.7 million for the relocation of a pipeline facility necessary to facilitate the Interstate 405 widening project. An amendment to the agreement was approved by the OCTA Board of Directors (Board) on November 27, 2017, to increase the loan amount by \$1.3 million to accommodate the final project cost received by the WOCWB.

Per the terms identified in the agreement, the WOCWB will make quarterly payments with the interest rate being equal to the State of California Surplus Money Investment Fund (SMIF). The SMIF interest rate on the September 2019 payment was 2.148 percent. The term of the loan has been structured to not

exceed ten years. OCTA began receiving quarterly payments from the WOCWB in June 2018.

Discussion

OCTA continues to withhold payments from M2 LFS funds to repay the loans established with the cities of Anaheim and Placentia. The third annual payment from Buena Park and the sixth quarterly payment from WOCWB have also been received. OCTA will continue to follow the terms identified in all loan agreements by withholding payments and invoicing responsible parties as applicable. The beginning balance, amount collected, and outstanding balance for each loan as of September 30, 2019, can be found on Attachment A.

Summary

The OCTA Board authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. Each entity has been making payments per their respective agreements.

Attachment

A. Status of Loan Agreements

Prepared By:



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Approved By:



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ATTACHMENT A

Status of Loan Agreements

Borrower	Type of Agreement	Loan Period Begin Date	Interest Rate % Prior Payment ¹	Beginning Principal Balance	Principal Paid	Interest Paid	Outstanding Principal as of 9/30/19	Loan Maturity
City of Anaheim ²	Purchase and Sale Agreement	July 2012	2%	32,500,000	20,666,667	-	11,833,333	May 20, 2025
City of Buena Park	Purchase and Sale Agreement	April 2016	1.52% (4/29/18-6/30/18) 2.39% (7/1/18-4/28/19)	1,040,000	829,600	17,074	210,400	April 29, 2021
City of Placentia ³	Loan Agreement	February 2010	2.13%	4,227,586	1,717,738	374,225	2,509,848	Anticipated by November 2026
West Orange County Water Board ⁴	Reimbursement Agreement for Utility Relocation	October 2017	2.148%	5,995,394	2,250,463	118,126	3,744,931	March 1, 2028

1. Interest rates vary for the cities of Buena Park, Placentia and the West Orange County Water Board. Interest rates listed represent rates for the prior payment.

2. Interest for the City of Anaheim loan is scheduled to be paid in the final 2 years of the loan.

3. The City of Placentia's principal balance includes capitalized interest in the amount of \$127,586.

4. The West Orange County Water Board made an additional principal payment of \$1.5 million in September 2018.



November 13, 2019

To: Finance and Administration

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Employees Retirement System Early Payment for Fiscal Year 2020-21

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 4.5 percent if they elect to prepay their contributions for fiscal year 2021. Advance payments must be received before January 15, 2020. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option will total approximately \$570,000.

Recommendation

Authorize the early payment of approximately \$28.9 million by January 15, 2020, to the Orange County Employees Retirement System, for member contributions for fiscal year 2020-21.

Background

The Orange County Employees Retirement System (OCERS) provides retirement benefits to Orange County Transportation Authority (OCTA) employees. The majority of OCTA employees and retirees are covered by the OCERS plan. OCERS is a defined benefit plan with benefits determined by a formula based on years of service, age at retirement, and highest average salary over a consecutive three-year period. OCERS is administered by a ten-member retirement board. The OCERS Board of Retirement serves as fiduciary and has administrative authority over investments and benefits. As of June 30, 2019, the plan had over \$17.5 billion in assets. OCERS operates under the state statutory requirements of the County Employees Retirement Act of 1937, a section of the California Government Code.

Employer contributions to OCERS are calculated each pay period by OCTA and paid electronically every two weeks. During fiscal year (FY) 2020-21, based on

data from the working budget, OCTA will contribute approximately \$31.7 million to OCERS, based upon wages of approximately \$104.1 million. OCTA's employer rate is 30.63 percent, and the Public Employees' Pension Reform Act (PEPRA) contribution rate is 29.92 percent during this time period.

Discussion

On July 11, 2019, the OCERS Retirement Board voted to offer an early payment discount on employer contribution payments made before January 15, 2020, for the succeeding FY. OCERS is offering to discount the contributions for FY 2020-21 by 4.5 percent. If the early payment option is exercised, OCERS will reconcile the projected payroll wages for the FY and collect appropriate additions or provide credits against the next future payments from OCTA for FY 2021-22.

The OCTA's Board of Directors approved a similar action in previous years where the early payment option was exercised. By using available cash now, OCTA will reduce the overall cost of future budgeted expenditures.

For FY 2020-21, OCERS increased OCTA's employer rates to 30.63 percent from the FY 2019-20 rate of 28.04 percent. The PEPRA contribution rate increased to 29.92 percent for FY 2020-21 from the 27.26 percent rate in FY 2019-20. OCTA's estimated wages for FY 2020-21 are \$104.1 million. Applying the 30.63 percent and 29.92 percent PEPRA employer's rates to the estimated wages for the year translates into an approximate contribution value of \$30.4 million for FY 2020-21. Further, there is a balance from the prepayment contribution for FY 2018-19 of \$1.4 million, which is required to be applied as a credit for this year's prepayment.

Under the early payment option, OCTA has the choice of paying OCERS \$28.9 million (\$31.7 million discounted by 4.5 percent less the credit) by January 15, 2020, or OCTA would make the regular bi-weekly payments of approximately \$1,220,264 for the employer contribution, (for a total of \$31.7 million) during FY 2020-21. Given these assumptions, OCTA has calculated the savings to equal approximately \$570,000 (which is the net between the \$1.4 million savings from the OCERS prepayment and \$830,000 estimated interest earnings by OCTA).

Based upon this analysis, it is financially advantageous for OCTA to exercise this early payment option. If this option were to be exercised, these funds would be deposited into OCERS on behalf of OCTA and be credited to OCTA's account. The funds will be paid from the General Fund (34.9 percent), Orange County Transit District Fund (64.8 percent), and the Orange County Taxi

Administration Program (0.3 percent). The funding sources represent the current payroll allocation.

Summary

OCERS has offered an early payment of contributions to member agencies for the upcoming FY. Under this early payment option, a discount of 4.5 percent will be applied to the amounts due for employer contributions. OCTA has calculated the savings to equal approximately \$570,000. Staff recommends exercising this early payment option.

Attachment

None.

Prepared by:

A handwritten signature in blue ink, appearing to read "Robert Davis", written over a light gray rectangular background.

Robert Davis
Department Manager
Treasury/Public Finance
714-560-5675

Approved by:

A handwritten signature in blue ink, appearing to read "Andrew Oftelie", written over a light gray rectangular background.

Andrew Oftelie
Chief Financial Officer
Finance and Administration
714-560-5649



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for September 30, 2019

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached are the quarterly investment reports for the Endowment Pool for the period ending September 30, 2019. The reports have been reviewed and are consistent with the pool objectives.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Annually, approximately \$2.9 million will be deposited in the endowment. As of September 30, 2019, the Orange County Transportation Authority has made four deposits to the Endowment Pool, each in the amount of \$2,877,000. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

Discussion

As of September 30, 2019, total pool assets in the CCF Endowment Pool were \$1.127 billion. Total foundation assets were \$1.86 billion. Performance for the Endowment Pool was 1.2 percent for the month, exceeding the benchmark by 0.2 percent; -0.2 percent for the quarter, 0.6 percent below the benchmark. The one-year return was 2.5 percent, 1 percent below the benchmark.

The balance as of September 30, 2019, was \$12,393,157, with the goal to reach a projected balance of \$12,440,408 by June 30, 2020.

The projected annualized cost for endowment services was 0.75 percent based on indications received during the due diligence process. Based on the current balance of the endowment, the cost for administration services is 0.25 percent.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending September 30, 2019.

Attachments

- A. California Community Foundation Fund Statement – September 30, 2019
- B. California Community Foundation Endowment Pool Investments – September 30, 2019

Prepared by:



Robert Davis
Department Manager,
Treasury and Public Finance
714-560-5675

Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
714-560-5649



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

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

7/1/2019 - 9/30/2019

Fund Summary

	Report Period 7/1/2019 - 9/30/2019	Calendar YTD 1/1/2019 - 9/30/2019
Opening Fund Balance	\$9,534,374.24	\$8,568,158.77
Contributions (see attached detail)	2,877,000.00	2,877,000.00
Investment Activity, net	(18,217.43)	973,379.34
Administration & Grant Management Fees	0.00	(25,381.30)
Net Changes to Fund	2,858,782.57	3,824,998.04
Ending Balance	\$12,393,156.81	\$12,393,156.81

Investment Pool Performance as of 09/30/2019

	This Qtr.	1-Year	3-Years	5-Years	10-Years
Endowment Pool	-0.2%	2.5%	7.5%	4.8%	6.5%
Social Impact Endowment Pool	1.7%	5.5%	7.8%	6.3%	7.6%
Conservative Balanced Pool	1.0%	5.5%	5.3%	4.7%	n/a
Short Duration Bond Pool	0.9%	6.0%	1.9%	n/a	n/a
Capital Preservation Pool	0.6%	2.4%	1.5%	1.0%	0.7%

Endowment Pool - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% equities, 14% hedge funds, 22% fixed income and 14% real assets. Investment management fees are 66 basis points.

Social Impact Endowment Pool - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 60%-75% equities and 25%-40% fixed income. Investment management fees are 68 basis points.

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

Short Duration Bond Pool - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 5 basis points.

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

Contribution Details

Date	Donor Name	Amount
07/03/2019	Orange County Transportation Authority	2,877,000.00
		<u>\$2,877,000.00</u>



Endowment Pool

September 2019

INVESTMENTS

The Endowment Pool returned 1.2% for the month of September 2019, 20 basis points ahead of its benchmark. For the trailing year, the pool returned 1.5%, 100 basis points behind its benchmark.

Total Pool Assets

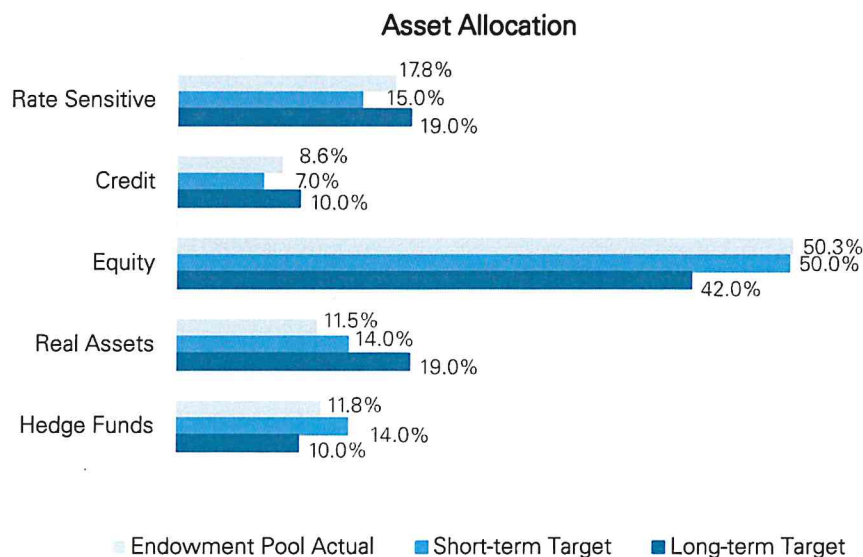
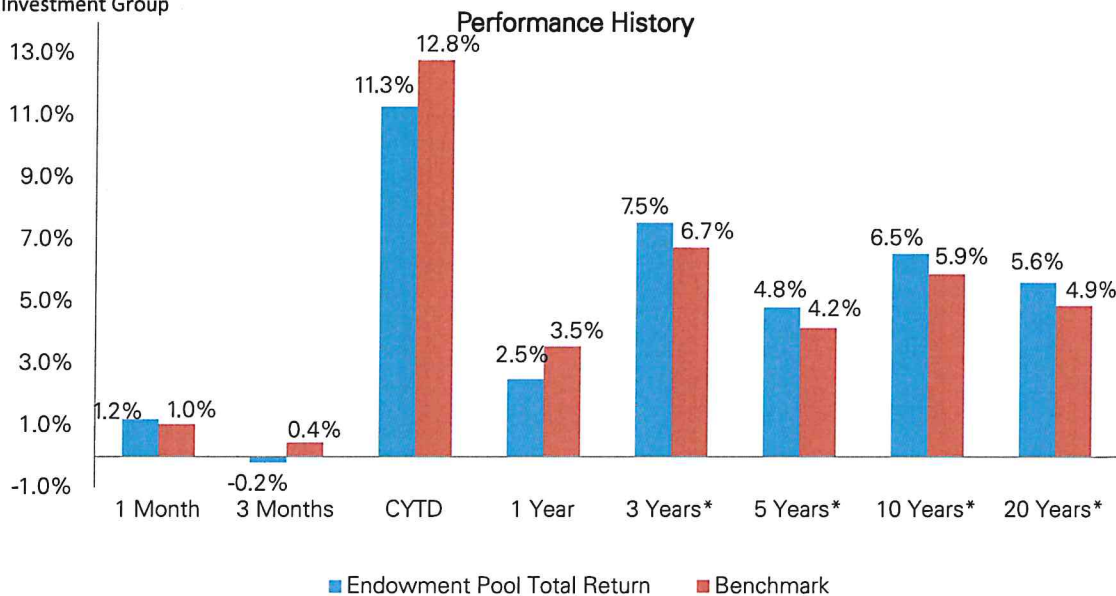
\$1.127 billion (Endowment Pool), \$1.86 billion (total foundation assets) as of September 30, 2019.

Pool Objective

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

Investment Consultant

Meketa Investment Group



*Represents annualized returns.

1) Investment expense ratio approximates 0.65%, excluding fund manager incentive fees.

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

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

4) Short-term target allocation is over 1-4 years, long-term target allocation is over 4-9 years.



November 13, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Agreement for Cloud Disaster Recovery Solution

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2019-20 Budget, the Orange County Transportation Authority's Board of Directors approved expenditures for a cloud disaster recovery solution. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures for materials and equipment. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1543 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technogent, in the amount of \$985,638, for a cloud disaster recovery solution for a five-year term.

Discussion

The Orange County Transportation Authority (OCTA) requires a cloud-based disaster recovery solution to be used as an alternate location for its mission-critical applications in case of a disaster. The purpose of the cloud disaster recovery solution is to allow OCTA's Information Systems (IS) Department to re-establish its mission-critical computer-based systems at an alternate location if its primary data center becomes disabled.

In the event of a loss of connectivity to OCTA's primary data center, OCTA would be able to restore data center operations in the cloud-based disaster recovery solution with its existing data and continue data center operations until connectivity to the primary data center is restored.

OCTA's Continuity of Operations Plan (COOP) establishes mission essential functions to be performed or resumed during an emergency or disruptive event. IS staff conducted market research and compared various cloud disaster

recovery solutions. To meet and exceed OCTA's current COOP, staff is seeking to utilize Datrium's disaster recovery solution to fully protect OCTA in the event of a serious loss of connectivity to its primary data center.

The Datrium disaster recovery solution will allow OCTA to replicate its critical operations data to the cloud, and then continuously replicate changed data in near real-time, thereby ensuring that the cloud copies always remain current should a recovery event occur. An additional benefit of the Datrium disaster recovery solution includes reduced band-width requirements as data is compressed, deduplicated, and encrypted prior to being replicated to the cloud.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors approved procedures for materials and equipment greater than \$50,000. These procedures, which conform to both federal and state requirements, require that contracts are awarded to the lowest responsive, responsible bidder after a sealed bidding process.

Invitation for Bids (IFB) 9-1543 was released on August 14, 2019, through OCTA's CAMMNET system. The project was advertised on August 14 and 21, 2019, in a newspaper of general circulation. On September 4, 2019, one bid was received and publicly opened.

As per OCTA's policies and procedures for a single bid, staff contacted six firms who received the IFB to inquire why each firm did not submit a bid. Two firms indicated that they were not authorized resellers of Datrium and, therefore, could not submit a bid. One firm indicated that it was an authorized reseller of Datrium; however, it did not elect to submit a bid. The remaining three firms did not respond.

Procurement documents and feedback received from the three out of six firms was forwarded to the Internal Audit (IA) Department so that agreed-upon procedures could be applied to determine whether adequate outreach was conducted to stimulate competition. IA's report indicated the procurement process complied with Contracts Administration and Materials Management procedures to ensure adequate outreach.

The one bid received was reviewed by staff from both Contracts Administration and Materials Management and IS departments to ensure compliance with the contract terms and conditions, and technical specifications.

The recommended firm's bid is slightly lower than the independent cost estimate from OCTA's IS project manager and, therefore, considered to be fair and reasonable.

Fiscal Impact

The project was approved in Orange County Transportation Authority's Fiscal Year 2019-20 Budget, Finance and Administration/IS, Account 1284-7519-A5352-18P, and is funded through local funds. The funding for each year will be included within that fiscal year's budget.

Summary

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1543 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technogent, in the amount of \$985,638, for cloud disaster recovery solution for a five-year term.

Attachment

None.

Prepared by:



Michael Beerer
Senior Section Manager, Information
Systems
(714) 560-5352

Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649



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



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Fiscal Year 2018-19 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Crowe LLP, an independent accounting firm, has completed its annual audit of Orange County Transportation Authority's Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements for fiscal year 2018-19.

Recommendation

Receive and file the fiscal year 2018-19 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements.

Background

Pursuant to Section 40078 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting results of operations during the preceding fiscal year (FY) and OCTA's financial position at year-end. These financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR).

OCTA staff also prepares stand-alone financial statements for the 91 Express Lanes Fund.

Discussion

Crowe LLP, has completed its annual audit of OCTA's financial records and systems and has issued its opinion on OCTA's financial statements for the FY ended June 30, 2019. The auditors have issued an unmodified (also known as "clean") opinion on the financial statements, indicating that the statements

present fairly, in all material respects, the financial position of OCTA at June 30, 2019, and the results of its operations and cash flows of the proprietary funds for the fiscal year then ended (Attachment A).

Fund financial statements for the 91 Express Lanes were also prepared and an unmodified opinion was issued (Attachment B).

The CAFR will be submitted to the Government Finance Officers Association (GFOA) for consideration of the Certificate for Excellence in Financial Reporting for FY 2018-19. The GFOA awards certificates only to those governments whose annual financial reports are deemed in conformance with the highest standards of public financial reporting. OCTA has been awarded the GFOA certificate for each year of its existence, commencing with the FY ended June 30, 1992. Such recognition has a positive effect on OCTA's ability to borrow at favorable interest rates. The CAFR is a useful tool in business dealings with outside organizations.

The 91 Express Lanes Fund financial statements will be forwarded to rating agencies, investors, and insurance companies.

Summary

Staff has prepared the OCTA's CAFR and 91 Express Lanes Fund Financial Statements for the FY ended June 30, 2019. Crowe LLP, has audited these financial statements and schedules and has issued unmodified opinions as to fair presentation of the financial statements and schedules.

Attachments

- A. Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019
- B. 91 Express Lanes Fund Financial Statements for the Year Ended June 30, 2019

Prepared by:



Changsu Lee
Section Manager, Accounting and
Financial Reporting
714-560-5890

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
714-560-5649

ATTACHMENT A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

ATTACHMENT A

IS AVAILABLE ON THE OCTA WEBSITE AT WWW.OCTA.NET OR

ON FILE IN THE CLERK OF THE BOARD'S OFFICE

ATTACHMENT B

**91 EXPRESS LANES FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2019**

ATTACHMENT B

IS AVAILABLE ON THE OCTA WEBSITE AT WWW.OCTA.NET OR

ON FILE IN THE CLERK OF THE BOARD'S OFFICE



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Reserve Policy

Overview

The Orange County Transportation Authority is committed to prudent fiscal management and maintaining the ability to fund its programs and services during times of economic uncertainty. Orange County Transportation Authority has a history of maintaining reserves to mitigate the impacts of financial risks to the programs operated by the Orange County Transportation Authority. The goal of this policy is to formalize the existing reserve policy for those programs and include them in one document for clarity and transparency.

Recommendation

Adopt the Reserve Policy and implement the policy in current and future financial plans.

Background

The Orange County Transportation Authority (OCTA) operates programs whose revenues can be greatly impacted during times of economic uncertainty or recession. These decreases in revenue can stem from reduced sales tax revenue, reduced fare or toll revenue, or less support from Federal or State sources. As a result, OCTA has a history of maintaining reserves implemented through its Comprehensive Business Plan (CBP) and annual budget process.

Discussion

OCTA operates three programs: Bus, 91 Express Lanes (91 EL), and Motorist Services, that are reliant on stable revenue sources and are most immediately impacted during periods of economic uncertainty. Decreases in revenue can produce immediate impacts to their ability to fund operating and capital requirements. As a result, operating and capital reserves can help mitigate the

impacts to service levels and the funding of capital projects during times of economic uncertainty.

The current economic cycle has exceeded ten years, which is twice the typical expansion phase following a recession. Though it is unclear when the next recession will occur, it is important that OCTA be prepared for the downturn in order to lessen the impact to operations for the Bus, 91 EL, and Motorist Services programs. OCTA has historically maintained reserves for these programs. However, in preparation for the next economic downturn, OCTA has formalized a reserve policy for the three programs. The Reserve Policy will address three reserve categories within each of the programs. The three reserve categories are: operating, capital, and debt.

Bus Program

Reserve	Target
Operating	60 days
Capital	Fully fund capital expenditures through Capital Replacement Fund
Debt Requirements	Not applicable

OCTA has a longstanding practice of maintaining a fully-funded operating reserve for the Bus Program. The Bus Program has traditionally maintained a 45-day working capital balance to accommodate for unexpected fluctuations in revenue and expenditures. OCTA is recommending increasing the 45-day operating reserve to 60 days. This would increase the reserve from \$37.9 million to \$50.5 million for fiscal year (FY) 2019-20. The reason for the recommendation is that the primary revenues supporting the Bus Program, such as sales tax, State Transit Assistance, and fare revenue are highly susceptible to the negative impacts of a recession. In addition, in June of this year, the Government Finance Officers Association (GFOA) made a recommendation to local governments to maintain General Fund reserve balances of 60 days. Though the Bus Program is not a General Fund, given its strong reliance on multiple funding sources, which is similar to a General Fund, the recommendation from the GFOA provides an additional reason to take a more conservative approach to the level of operating reserves maintained to support the Bus Program. The increase to a 60-day operating reserve can be accommodated financially without impacting bus operations.

OCTA has also traditionally maintained a Capital Replacement Fund (CRF) for the Bus Program, which is used to fund the rehabilitation and replacement of its capital assets. The CRF enables OCTA to pay for the rehabilitation and

replacement of capital assets without the need for debt financing, which allows OCTA to avoid debt service expenditures and instead maximize the amount of revenue available for service. Funding for the CRF is determined through OCTA's CBP and executed through the annual budget. Currently OCTA sets aside approximately \$25 million annually to ensure the timely replacement of its bus capital assets.

In addition to eliminating the cost associated with debt financing, the CRF also provides OCTA flexibility during periods of economic recession. During the Great Recession, the significant decrease in revenues for the Bus Program necessitated a reduction in service. Due to the planned reductions in ongoing service levels, there was a corresponding decrease in the number of buses that would need to be replaced within the fleet. As a result, the funds that had been saved in the CRF for buses that would no longer be replaced were used to gradually reduce service instead of making large, immediate reductions.

91 Express Lanes

Reserve	Target
Operating	None
Capital	Fully fund capital expenditures through Capital Replacement Fund
Excess Revenue Policy	Freeway – 80 percent, Transit – 20 percent
Debt Requirements	
Debt Service Reserve	\$10,800,000
Operating	\$3,000,000
Capital	\$10,000,000

The 91 EL has five reserve accounts which include two reserve accounts internal to OCTA and three reserve accounts required as part of the 91 EL outstanding debt. The two reserve accounts internal to OCTA are Board of Directors (Board)-approved and include a 91 EL CRF and a 91EL Excess Revenue Fund (ERF). The 91 EL CRF is fully funded and used to fund the rehabilitation and replacement of the 91 EL capital assets without the need for additional debt financing. Similar to the Bus Program, funding for the 91 EL CRF is determined through OCTA's CBP on an annual basis.

In January 2014, OCTA's Board approved a policy for the use of 91 EL ERF. The 91 EL ERF is to be used to fund future 91 corridor improvements. The 91 EL excess revenues, defined as revenues available after debt service, operations, maintenance, capital, and administration costs are paid, are to be allocated 80 percent for freeway projects and 20 percent for transit projects or

services. The 80/20 allocation is to be achieved by 2030. The Board has already set aside \$14.3 million of excess revenues to help fund the Placentia Metrolink Station. In November 2017, the Board approved the Next 10 Plan which included the utilization of up to \$748.7 million in excess revenues to be used on a pay-as-you-go basis for two Measure M2 (M2) freeway projects in the 91 corridor. As of today, \$56 million has been set aside for the two projects.

Three reserve accounts are required as part of the 91 EL outstanding debt to protect bondholders. The three reserve accounts are held in trust for the benefit of the repayment of the bonds and include a debt service reserve fund (\$10.8 million), an operating reserve (\$3.0 million), and a capital reserve (\$10 million). Each of the reserve accounts is fully funded and will remain so until the debt is retired.

Motorist Services Program

Reserve	Target
Operating	60 days
Capital	None
Debt Requirements	Not applicable

The Motorist Services Program supports the Freeway Service Patrol (FSP), Freeway Callbox, and 511 Programs. Revenue to support the three programs comes primarily from vehicle registration fees and funding from the State Highway Account (SHA). In addition to those funding sources, the FSP does receive additional funding from the M2 Program and the Road Repair and Accountability Act (RRAA). Both the SHA and RRAA funds are received annually on a reimbursement basis.

The FSP is the largest operating program of the Motorist Services Programs and is used to fund private tow truck companies that patrol freeways to assist stranded motorists. OCTA maintains a 60-day operating reserve to ensure adequate reserves to cover unforeseen impacts to FSP revenue or expenses and to allow for fluctuations in the timing of the revenue reimbursement for the SHA and RRAA revenues. A 60-day operating reserve for FY 2019-20 is \$1.4 million. Due to the small nature of the capital expenditures for the three programs, a capital reserve is not deemed necessary to support ongoing capital requirements.

Future Reserve Accounts

OCTA has two projects under construction that will lead to operating programs in the future. The two operating programs will be the 405 Express Lanes and

the OC Streetcar. It is anticipated that the 405 Express Lanes will have up to five reserve accounts including internal reserve accounts, as well as reserves required due to outstanding debt. It is anticipated that the OC Streetcar will have up to two internal reserve accounts.

405 Express Lanes

Reserve	Target	Required
Operating	To be determined	Not applicable
Capital	To be determined	Not applicable
Debt Requirements		
Debt Service Reserve Fund	Fluctuates annually: formula based with annual calculation	2025
Operations & Maintenance	Fluctuates annually: formula based with annual calculation	2023
Major Maintenance	Fluctuates annually: formula based with annual calculation	2027

OCTA anticipates the 405 Express Lanes will have up to two internal reserve accounts (established and held by the OCTA), as well as three reserve accounts required due to outstanding debt to be held by the trustee. The type and amount of the internal reserve accounts will be determined at a future date as OCTA evaluates the available revenue to fund the accounts based on first satisfying the loan requirements from the outstanding debt. As an example, OCTA is required to deposit all excess revenue, after satisfying the requirements of the other reserve funds, into a Distribution Lock-Up fund for the first five years of operations. The internal reserve accounts will be included within this policy and brought to the Board for consideration.

The 405 Express Lanes has a Transportation Infrastructure Finance and Innovation Act loan with the United States Department of Transportation that is being used to finance the construction of the 405 Express Lanes. The loan will require three reserve accounts to be created within set time periods following substantial completion of the project. The three accounts include a debt service reserve fund, operations and maintenance reserve, and a major maintenance reserve. Each reserve account has a formula defined within the loan agreement for the amount required on an annual basis. The debt service reserve fund is required to be established in 2025, the major maintenance reserve account is required to be established in 2027, and the operations and maintenance reserve

account is required to be established in 2023. The amounts required in the first year of establishment for each account will be determined in the future based on the requirements of the loan agreement and will be funded with toll revenues collected from the 405 Express Lanes.

OC Streetcar

Reserve	Target
Operating	To be determined
Capital	To be determined
Debt Requirements	Not applicable

OCTA also anticipates the OC Streetcar will have internal reserve accounts that will be established and held by the OCTA similar to the Bus Program. The type and amount of the internal reserve accounts will be determined in the future and will be included within this policy and brought to the Board for consideration. It is estimated a 60-day reserve for the OC Streetcar would be approximately \$1.5 million.

Future Updates to the Reserve Policy

Reserve targets are reviewed during OCTA's annual process of updating and analyzing the cash flows for each of OCTA's programs and services. OCTA will bring any future recommended changes to this policy to the Board for consideration.

Summary

OCTA has a history of maintaining reserves to mitigate the impacts of financial risks to the programs operated by the OCTA. OCTA has formalized the reserve policies historically implemented through the CBP and bond indentures into a Reserve Policy for clarity and transparency for Board of Directors consideration.

Attachment

None.

Prepared by:

A blue ink signature of Sean Murdock, written in a cursive style.

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

Approved by:

A blue ink signature of Andrew Oftelie, written in a cursive style.

Andrew Oftelie
Chief Financial Officer
Finance and Administration
714-560-5649

Reserve Policy

Policy Goal

- Formalize existing reserve policy for programs operated by the Orange County Transportation Authority (OCTA)
- Provide clarity and transparency as to the types of reserves maintained by, and required of, the OCTA
- Continue practice of preparing for future economic recessions during periods of economic growth

Background

- OCTA has a history of maintaining reserves
- Reserve targets historically implemented through the Comprehensive Business Plan
- Reserves also required from bond and loan indentures
- Three OCTA programs would be included in the policy
 - Bus, 91 Express Lanes, and Motorist Services programs

Bus Program Reserve Policy

- History of both operating and capital reserves
 - 45-day operating reserve (\$37.9 million)
 - Capital replacement fund for capital expenditures
 - Reserves fully funded
- Recommend increasing operating reserve to 60 days (\$50.5 million)
 - Provides additional protection against future economic uncertainty
 - Recommended by the Government Finance Officers Association
 - Can be accommodated financially
- Program has no outstanding debt

91 Express Lanes Reserve Policy

- History of capital and debt related reserves
- Two Board of Directors-approved capital reserves maintained
 - Fully funded capital replacement fund for the express lanes
 - Excess revenue fund for future 91 corridor projects
 - Placentia Metrolink Station (\$14.3 million)
 - 91 freeway projects (\$56 million)
- Three indenture required reserves maintained
 - Debt Service Reserve Fund (\$10.8 million)
 - Operating Reserve (\$3 million)
 - Capital Reserve (\$10 million)

Motorist Services Program Reserve Policy

- History of an operating reserve
 - 60-day operating reserve (\$1.4 million)
 - Supports unforeseen impacts to revenue and expenditures
 - Accommodates fluctuations in timing for revenue reimbursement
 - Reserve fully funded
- No need for a capital reserve
 - Small capital program can be accommodated without a reserve
- Program has no outstanding debt

Future Reserves

- 405 Express Lanes
 - Potential operating and capital reserve accounts
 - Three debt-related reserves: debt service, operations and maintenance and major maintenance
- OC Streetcar
 - Potential operating and capital reserve accounts
 - Program will have no outstanding debt

Recommendations

- Adopt Reserve Policy recommendations for the Bus, 91 Express Lanes, and Motorist Services programs
- Incorporate the Reserve Policy into current and future financial plans

Next Steps

- Maintain reserve targets for the 91 Express Lanes and Motorist Services programs
- Increase operating reserve target to 60-days and maintain capital reserve target for the Bus Program
- Incorporate Reserve Policy into the Comprehensive Business Plan
- Future updates would be brought to the Board of Directors