June 8, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2021-22 Third Quarter Budget Status Report

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2021-22 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2021-22.

Recommendations

A. Receive and file as an information item.

B. Approve a budget transfer of $6 million in the Orange County Transportation Authority Fiscal Year 2021-22 Budget from the Services and Supplies major object to the Capital/Fixed Assets major object to accommodate a change in accounting practices issued by the Governmental Accounting Standards Board.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2021-22 Budget on June 14, 2021. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was $1.267 billion. Sources of funds were comprised of $971 million in current FY revenues and $296 million in use of prior year designations. Uses of funds were comprised of $1.199 billion of current FY expenditures and $68 million of designations.

The Board approved one amendment through the third quarter, increasing the expense budget by $5.7 million. This increased the budget to $1.273 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2021	Adopted Budget	$ 1,267,114
11/22/2021	Project Definition Report for Coastal Rail Infrastructure Improvements	700
11/22/2021	Metrolink track stabilization - San Clemente	5,000
	Subtotal Amendments	*5,700*
	Total Working Budget	**$ 1,272,814**

*in thousands

In addition, the OCTA budget is controlled at the "major object" summary level, which means that staff is authorized to transfer funds throughout the year within major object categories, but Board approval is required to transfer funds between major object categories. The three major object categories are, salaries and benefits, services and supplies, and capital/fixed assets. An updated accounting standard related to lease agreements requires a transfer of funds from the services and supplies major object to the capital/fixed assets major object.

Based on a new standard issued by the Governmental Accounting Standards Board (GASB) called GASB Statement No. 87 (GASB 87), there is no longer a distinction between operating and capital leases. Going forward, all agreements meeting the definition of a lease will be classified as a finance lease, which is a similar designation as the current capital lease classification. As a result, to pay for these costs according to the new guideline, OCTA needs to move the funds budgeted for operating leases within services and supplies to the capital/fixed major object. The transfer amount required is $6 million.

Discussion

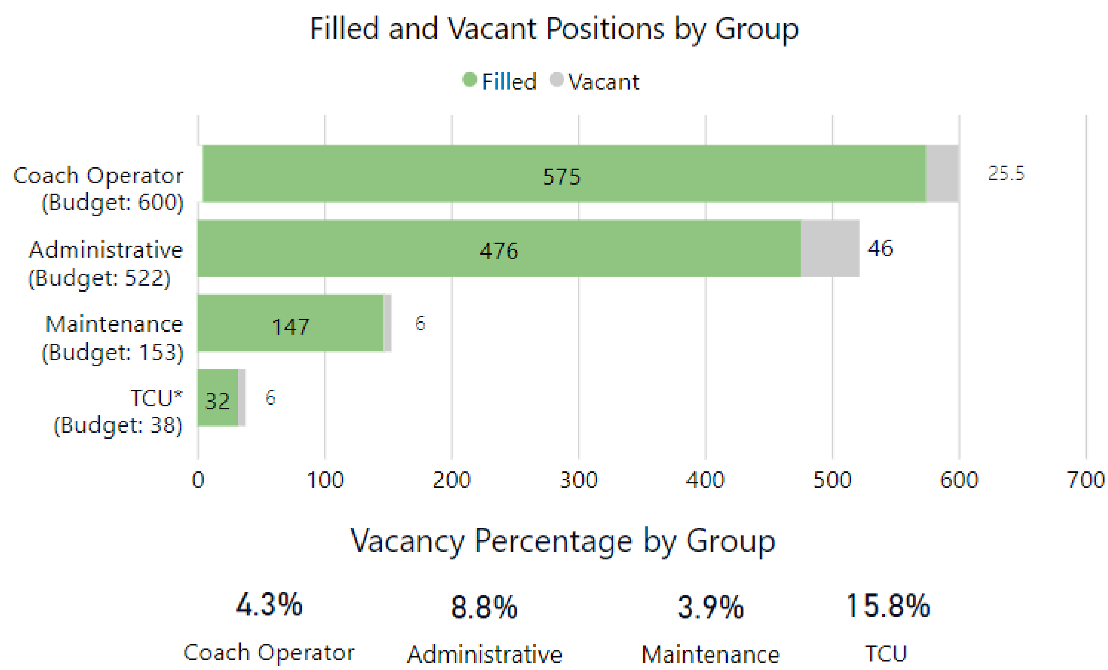
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

Staffing

Total salaries and benefits underran the budget by $4.4 million. This is primarily due to vacancies agency-wide, with the largest vacancy percentage in the Transportation Community International Union (TCU) group (15.8 percent) followed by the administrative group (8.8 percent).

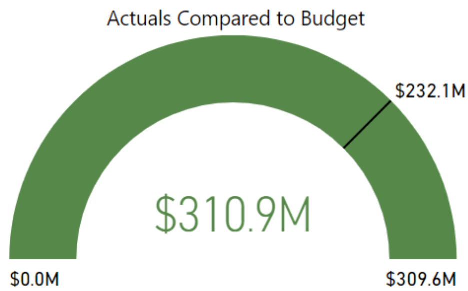


*TCU - Transportation Communications International Union

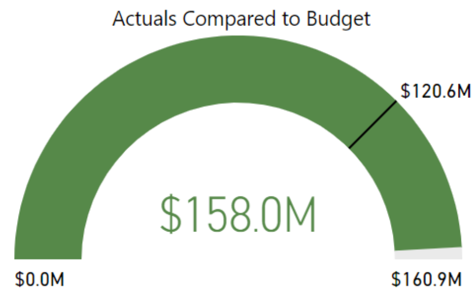
Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of $310.9 million were $77.5 million higher than the budget and LTF sales tax receipts of $158 million were $37.4 million higher than the budget. Sales tax figures are outperforming the budget through the third quarter of FY 2021-22.

LTA

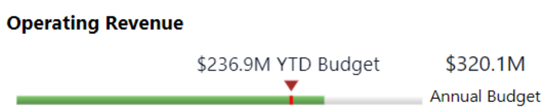


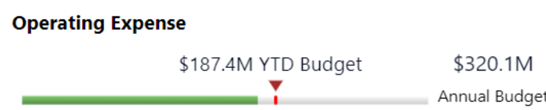
LTF



Major Programs

Bus Program

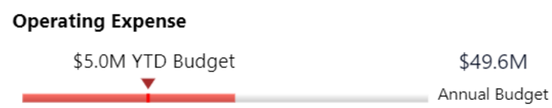




Bus Program operating revenue of $264.5 million was $27.6 million over the third quarter budget. This is primarily due to the continued growth in LTF sales tax. Staff anticipates this trend will continue through the end of the FY. Bus Program operating expenses of $174.1 million underran the budget by $13.3 million. Demand-based paratransit service was $4.5 million lower than budgeted and paratransit service continues to recover from the pandemic at lower levels than budgeted. Staffing vacancies contributed $2.1 million to the underrun. Additionally, recurring as-needed services and items, which can vary based on need, such as shop supplies, maintenance parts, and marketing efforts were lower than expected.

Bus Program capital revenue of $13.3 million was $2.6 million under the third quarter budget due to less than anticipated revenue reimbursements based on lower capital expenses. Capital revenue is often sought on a reimbursement basis after capital expenditures have occurred; therefore, underruns in capital revenue are often due to timing of capital expenditures. Bus Program capital expense underran the budget of $15.9 million by $2.6 million. This is primarily due to the timing of building improvement projects at the Anaheim Bus Base, Santa Ana Bus Base, and the Fullerton Park-and-Ride facilities that are now planned to take place in the last quarter of the FY.

Rail Program

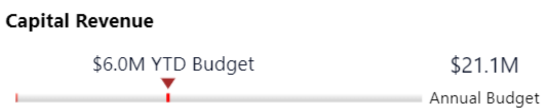


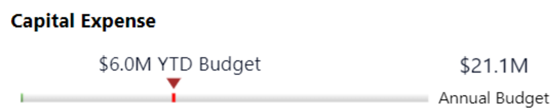
Rail Program operating revenue of $8.4 million was $3.4 million over the third quarter budget, primarily due to federal reimbursements from prior FYs that were received in the current FY. Operating expenses of $8.4 million overran by $3.4 million primarily due to the timing of an encumbered contract for Irvine Station improvements. This contract was expected to be encumbered in the fourth quarter but was able to be encumbered in the third quarter. Expenses will align to budget by the end of the FY.

Rail Program capital revenue of $2 million was $1 million under the third quarter budget due to less than anticipated revenue reimbursements based on lower capital expenses. Capital revenue is often sought on a reimbursement basis after capital expenditures have occurred; therefore, underruns in capital revenue are often due to timing of capital expenditures. Capital expenses of $0.9 million were $0.05 million under the budget primarily due to the timing of expenses for the Laguna Niguel to San Juan Capistrano Passing Siding Project, which was offset by an overrun for the Anaheim Canyon Metrolink Station new track and platform extension project. Staff anticipates that the actuals will align to budget by the end of the FY.

91 Express Lanes Program

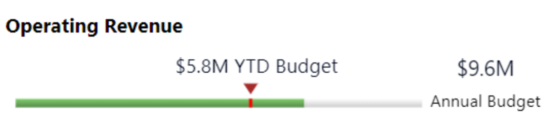
The 91 Express Lanes Program operating revenue of $47.6 million exceeded the budget by $18.6 million, primarily due to higher than anticipated traffic volumes. After budgeting conservatively due to the coronavirus (COVID-19), volumes have rebounded faster than anticipated. Operating expenses of $11.4 million underran by $15.4 million, primarily due to timing of milestones and expenditures associated with toll road projects led by outside agencies. Staff anticipates this underrun will continue through the end of the FY.

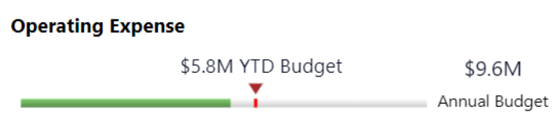




The 91 Express Lanes program had no capital revenue or expense activity through the quarter due to schedule changes for the 91 Express Lanes back-office system.

Motorist Services Program

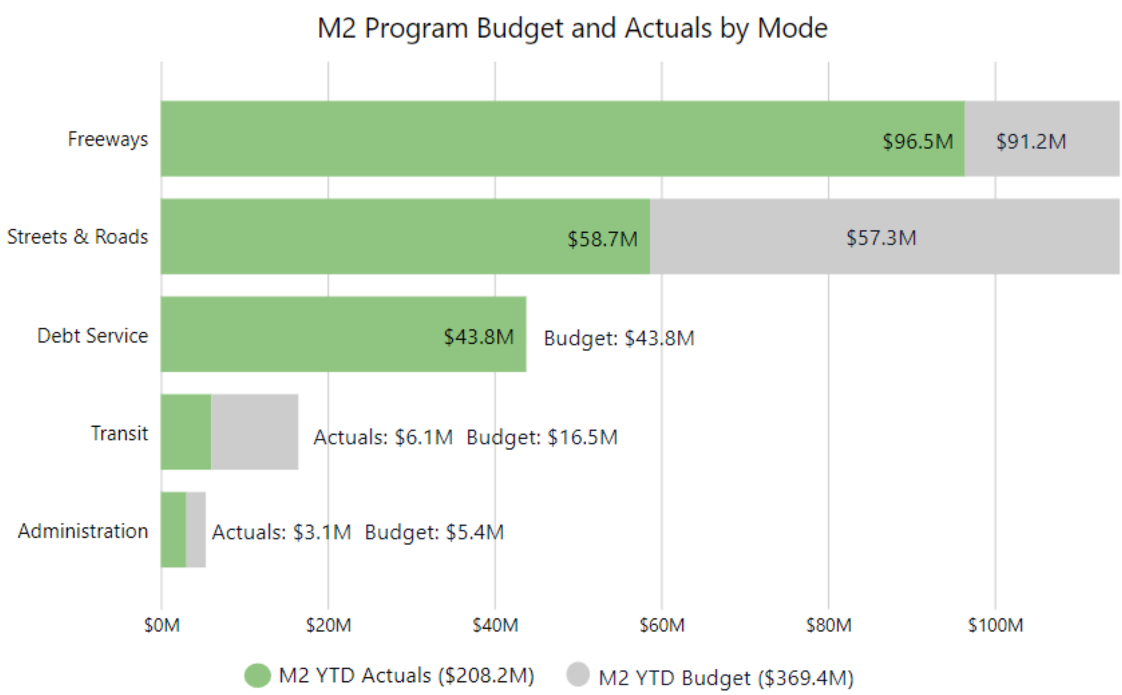




Motorist Services Program revenue of $7.1 million overran the budgeted amount by $1.3 million through the quarter. This was primarily due to revenues for the Freeway Service Patrol being received earlier than anticipated. The amounts are expected to align to budget by the end of the FY. Operating expenses for the program of $5.2 million underran the budget by $0.6 million, primarily due to the timing of invoices from California Highway Patrol to support Freeway Service

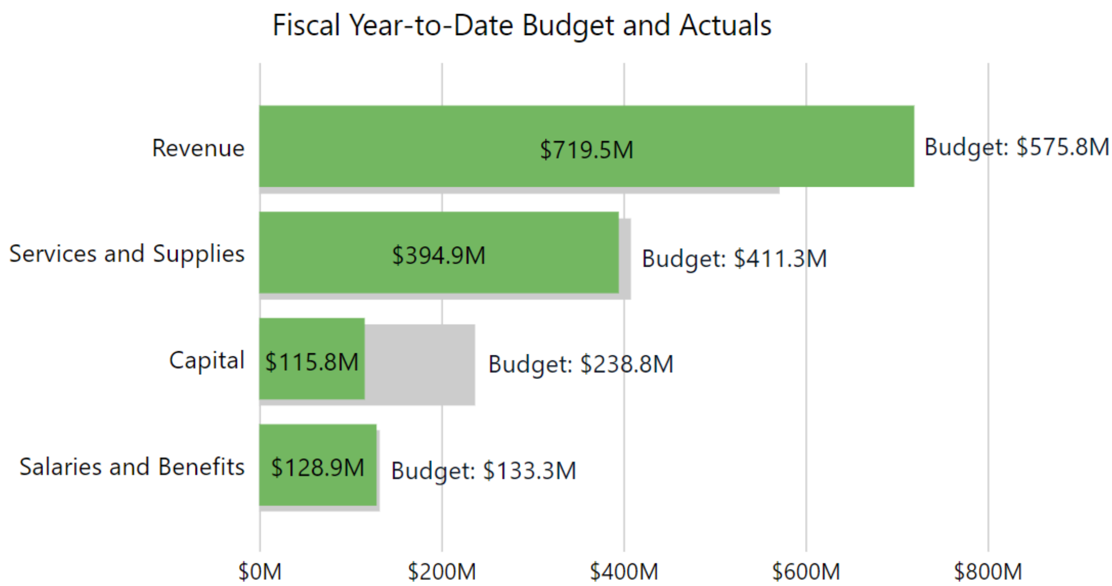
Patrol, as well as lower than expected call box equipment maintenance expenditures. Staff anticipates invoices will align to the budget by end of the FY.

M2 Program



Total actual expenses for the M2 Program of $208.2 million underran the budget by $161.2 million, primarily due to less construction and right-of-way (ROW) expenditures compared to the budget through the quarter for the State Route 55 (SR-55) Widening Project, from Interstate 5 (I-5) to Interstate 405 (I-405) ($67.8 million). Similarly, there was less usage of construction and ROW for the I-405 Improvement Project from SR-55 to Interstate 605 (I-605) ($47.5 million). In addition, there were lower than anticipated project payment requests from local jurisdictions for the Regional Capacity Program ($37.1 million).

Summary



Overall, revenue of $719.5 million exceeded the budget by $143.7 million, primarily due to greater than anticipated sales tax receipts.

Operating expenses of $394.9 million underran the budget by $16.4 million, primarily due to an underrun in contributions to local agencies based on less project payment requests for competitive M2 programs. Additionally, as-needed services and supplies as well as ROW services for the programs contributed to the underrun.

Capital expenses of $115.8 million underran the budget by $123 million, primarily due to less construction and ROW expenses compared to the budget from the SR-55 widening project, from I-5 to I-405.

Salaries and benefits of $128.9 million underran the budget by $4.4 million, due to vacancies, primarily in the TCU and administrative groups.

Attachment

A. FY 2021-22 Third Quarter Budget Status Summary

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