Orange County Transportation Authority

Fiscal Year 2019-20 Budget Workshop Questions & Answers

1. **Question: What are the specifics of the continuation of the OC Flex Program?**

   Answer: The OC Flex Pilot Program will hit the one-year mark at the end of October 2019. After the one-year period is complete, staff will return to the Board of Directors (Board) with recommendations. Recommendations could include to simply continue the existing service, make minor tweaks to the existing service, modify the zone boundaries, consider new zones, or cancel the pilot program.

2. **Question: How would we go about determining potential expansion of the OC Flex Program in the future?**

   Answer: The OC Flex Pilot Program completion will help determine if the program was a success and should be expanded to other areas of Orange County. If the answer is yes, then staff will work with the Board to review the original goals of the program and determine if the goals should be revisited on a go-forward basis. Once that is determined, staff can revisit the original seven different locations that were identified as part of the OC Flex analysis. Additionally, new zones could be considered at that time, contingent on available revenues.

3. **Question: When we utilize use of prior year designations, is it correct that we are not pulling money from reserves, but using money that was set aside in previous fiscal years for that specific purpose?**

   Answer: Yes, it is correct to say that OCTA utilizes prior year designations for specific capital items and does not rely on reserves to pay for ongoing operations. OCTA utilizes the concepts of designations and use of prior year designations to fund many of its capital purchases. For example, OCTA sets aside dollars for future bus purchases using designations each year. When it comes time to make the purchase, OCTA utilizes a drawdown of those designations from prior fiscal years to fund the specific bus purchase. This drawdown is termed use of prior year designations.

4a. **Question: Regarding OCTA healthcare costs, what kinds of trends have we seen over the last five years?**

Description	2013-14 Actuals	2014-15 Actuals	2014-15 Increase / Decrease	2015-16 Actuals	2015-16 Increase / Decrease	2016-17 Actuals	2016-17 Increase / Decrease	2017-18 Actuals	2017-18 Increase / Decrease	2018-19 Act Y/E Estimate	2018-19 Increase / Decrease	2019-20 Proposed Budget
Health Care Plans	18,159,506	19,161,064	5.5%	19,559,596	2.1%	18,883,053	-3.5%	19,282,231	2.1%	19,532,195	1.3%	22,898,794

A total of $20,901,092 is budgeted for healthcare costs in FY 2018-19

4b.Question: The market trend related to healthcare costs seems to indicate that costs continue to be increasing in general. Why does the 1.3 percent growth rate for FY 2018-19 year-end estimate over FY 2017-18 seem low?

Answer: The costs shown on the table above are actual expenses. Actual expenses are impacted by vacancies and the type of healthcare plan that is elected by each employee. If there were no vacancies, then the growth in actuals expenses would have more of a correlation with general market healthcare increases.

5. Question: Can you clarify the number of new hires and reductions that are being proposed for fiscal year 2019-20

Answer: OCTA is proposing five and a half administrative new hires, two maintenance new hires, and one LOSSAN new hire, for a total of eight and a half new hires in FY 2019-20. A total of 15 reductions are proposed for the fiscal year, ten in the maintenance group and five coach operators.

6. Question: What is the number of employees proposed for FY 2019-20?

Answer: OCTA is proposing 1,346.5 full-time equivalents (FTE) for FY 2019-20.

7. Question: Does OCTA have a maximum accrual policy for vacation hours accumulated for administrative employees?

Answer: The Proposed Personnel and Salary Resolution documents the maximum vacation leave hours an administrative employee can accrue based on years of service. OCTA employee's will not accrue vacation leave in excess of the maximum amount unless authorized by the CEO.

At the Beginning of Year:	The Employee Shall Earn:	To a Maximum Per Year of:	Maximum Accrued Vacation Leave
0 through year 2	.0577 hours	120 hours	240 hours
3 through year 4	.0577 hours	120 hours	300 hours
5 through year 9	.0770 hours	160 hours	300 hours
10 through year 14	.0962 hours	200 hours	390 hours
15 through year 18	.1039 hours	216 hours	390 hours
19 or more	.1154 hours	240 hours	440 hours

8. **Question: How does the new bus lifespan plan apply to the planned procurement of buses?**

   Answer: The upcoming purchase of 299 40-foot buses is expected to be executed in FY 2019-20. Delivery of buses will then begin 24 to 30 months after contract execution at a rate of two per week. At that point in time, the existing buses will reach a useful life span of 14, 15, 16, 17, and 18 years. This procurement strategy will allow OCTA to obtain some data to determine if the older buses can meet operational needs and whether it truly is a financial benefit as modeled in our CBP.

9. **Question: Are we trying to get ahead of the new state emissions rules by replacing buses before their 18-year useful life?**

   Answer: No. The primary reason for buying the buses now is to take advantage of approximately $130 million of federal air quality funds that will expire if OCTA does not procure these buses now. Although OCTA has extended the useful life to 18 years, we have limited experience with this new policy. The recommended strategy allows OCTA to take advantage of the federal funding opportunity while phasing the replacement buses such that OCTA gains more operational experience with buses that are 15, 16, 17 and 18 years old.

10. **Question: Will that new lifespan apply to the next-oldest generation of buses but not this set?**

    Answer: Yes.

11. **Question: Do we budget for revenue from the sale of our older buses?**

    Answer: No. The amount is usually very minimal. At OCTA's last auction, six 40-foot buses that had reached their useful life were sold for $2,500 per bus.

12. **Question: What are the pension effects of the proposed pay and vacation time increases for administrative staff?**

    Answer: During FY 2019-20, it is assumed the proposed merit pool of 4 percent will increase administrative salaries by approximately $2 million. When applying the OCERS employer rate of 27.84 percent to the increase in administrative salaries the annual pension obligation increases by $582 thousand. The vacation accrual increase is not anticipated to have a material impact on pensions during FY 2019-20.

13. **Question: What is the turnover rate for administrative employees?**

    Answer: The fiscal year-to-date attrition rate for administrative employees is 6.1 percent or a total of 31 employees.

14. Question: What is the average age that administrative employees retire?

Answer: The average age of retirement for administrative employees is 63.24.

15. Question: What is the percentage of administrative employees that are eligible for retirement?

Answer: The average percentage of administrative employees that are eligible for retirement is 28.3 percent or 137 employees (age 55 with 10 years of service).

16. Question: What percent of healthcare costs are covered by OCTA versus the employee?

Answer: The percent of healthcare cost paid by OCTA versus administrative, Transportation Communications Union (TCU), and coach operator employees vary based on an employee's tenure, elected plan, and number of dependents. The table below shows the percent an employee pays based on their tenure, elected plan, and number of dependents.

Plan	Family size	ADMINISTRATIVE AND TCU Less than 10 Yrs	ADMINISTRATIVE AND TCU More than 10 Yrs	COACH OPERATORS
Kaiser HMO	Emp Only	10.0%	0.0%	5.0%
	Two-Party	15.0%	5.0%	7.0%
	Family	15.0%	5.0%	10.0%
Anthem HMO	Emp Only	10.0%	0.0%	5.0%
	Two-Party	15.0%	5.0%	7.0%
	Family	15.0%	5.0%	10.0%
Anthem CDHP	Emp Only	10.0%	5.0%	5.0%
	Two-Party	15.0%	7.5%	7.0%
	Family	15.0%	7.5%	10.0%
Anthem PPO	Emp Only	15.0%	7.5%	5.0%
	Two-Party	20.0%	10.0%	7.0%
	Family	20.0%	10.0%	10.0%

OCTA does not administer the medical, dental and vision benefits for Teamsters Maintenance employees and therefore Teamsters decides on plan design. However, OCTA currently contributes $1,267 per month per employee. Maintenance employees contribute $314 a month.