

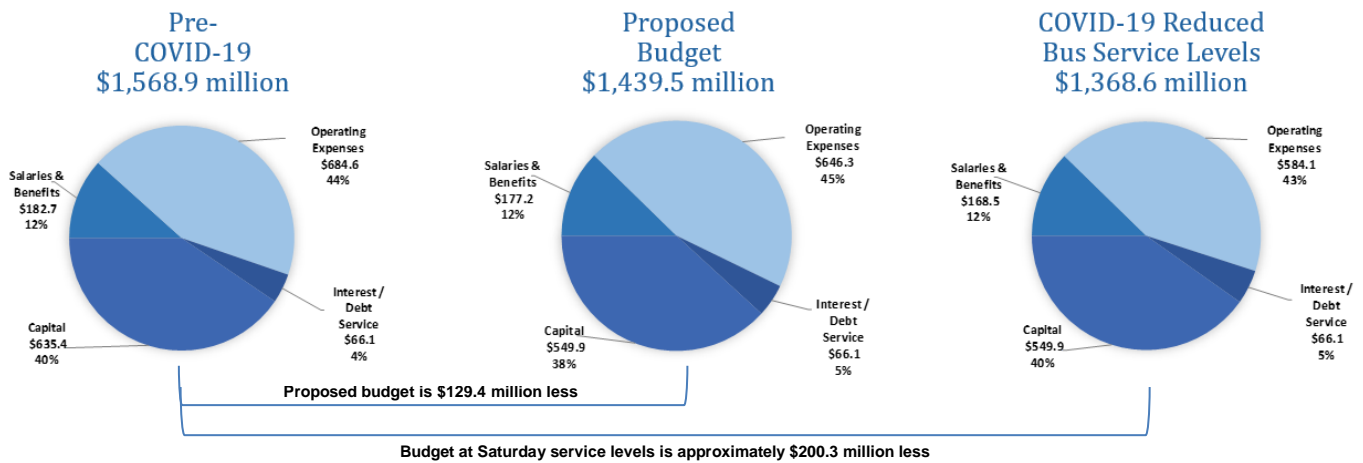


Orange County Transportation Authority

Fiscal Year 2020-21 Budget Workshop Questions & Answers

1. What measures has Orange County Transportation Authority (OCTA) taken to address the impact of novel coronavirus (COVID-19) on the proposed fiscal year (FY) 2020-21 budget?

Answer: Pre-COVID-19 expenditures for FY 2020-21 were anticipated to be proposed at a total of \$1,568.9 million. However, as a result of the COVID-19 pandemic, OCTA took a conservative approach bringing forward a proposed expenditure budget totaling \$1,439.5 million. A list of the items taken out of the proposed budget is provided below. The proposed expenditure plan does not include new positions or new initiatives. The proposed budget does have the necessary resources to accommodate for up to 1.6 million revenue hours or pre-COVID-19 bus services levels. This is possible largely because of the funds made available to OCTA through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. However, given the reduced demand for services during the pandemic, OCTA has reduced service to Sunday levels with a plan to increase that to Saturday service levels in June 2020. If demand for bus service does not increase and OCTA continued to run bus service at Saturday levels for the entire year, the FY 2020-21 would potentially be reduced to \$1,368.6 million, as depicted on the pie chart on the far right below. A comparison of the pre-Covid-19 budget, proposed budget, and the budget at Saturday service levels can be seen below.



Budget Reductions	Amount
40-foot buses	\$ (82,747,979)
Metrolink operating subsidy	(15,776,203)
Local Fair Share, SNEMT, SMP*	(12,825,747)
New positions	(4,489,470)
Facility modifications	(3,007,000)
Planning studies	(2,900,000)
Systems and software	(2,000,000)
SR-91 Collection services	(1,900,000)
Miscellaneous	(1,065,755)
Merits and special awards	(1,060,000)
OC Flex expansion	(780,737)
Marketing	(650,000)
Tools and equipment	(194,430)
Total	\$ (129,397,321)

*Senior Non-Emergency Medical Transportation (SNEMT) and Senior Mobility Program (SMP)



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2. Question: When can we expect to have a better idea of where we currently stand on sales tax revenue?

Answer: We likely will not have a firm grasp of where we stand with sales tax collections until this fall at the earliest. Under normal circumstances we receive an estimate of sales tax collections from the California Department of Tax and Fee Administration (CDTFA) two months in arrears; and final quarterly figures are not provided until two to three months after the end of the quarter.

However, given the current situation, the CDTFA has allowed businesses to delay payments on sales tax from 60 days to one year, which will further delay the final figures. OCTA staff has been working closely with Muniservices, our sales tax consultant, to develop a best guess as to what actual sales tax collections will be and the potential amount of deferred payments.

Muniservices is currently analyzing each economic sector to determine how the economy is being impacted by COVID-19. We have utilized the limited data we have available and information provided by Muniservices to make the most informed sales tax projections possible in the current situation. Muniservices is scheduled to attend the May 27, 2020, Finance and Administration Committee to provide an update on projections.

3. Due to the uncertainty of the current COVID-19 crisis and the overall economy, what information can you provide to help prepare Board Members to discuss proposed merit and bonus pools?

Answer: The proposed merit and bonus pools are outlined in the Personnel and Salary Resolution (PSR) that covers OCTA's professional staff including planning, construction, engineering, financial services, informational technology, government affairs, human resources, marketing, and communications personnel. The PSR is approved each year by the Board of Directors. This year, staff is currently recommending that both the merit and bonus pools be set at 3 percent which is a reduction of 1 percent over current year levels.

Unlike bus drivers and maintenance personnel, OCTA's professional staff is not represented. This group operates on a pay-for-performance system that rewards top performers and holds poor performers accountable. There are no automatic increases for this group of employees, the only opportunity for annual compensation adjustments is through the annual merit pool.

On March 19, 2020, the Governor issued Executive Order No. 33-20, which mandates that all residents of the state stay-at-home. That order exempted employees needed to maintain continuity of operations and for critical infrastructure projects. As the operator of the countywide transportation system and the agency responsible for several critical infrastructure projects, OCTA's administrative employees fall into this category. OCTA's employees are essential workers working on essential projects and services, and it is important to remain competitive within our market.

While the long-term financial picture is unclear, OCTA is in good position to continue the existing projects already started and provide countywide bus service. Funding received through the CARES Act has provided the aid necessary to ensure the continuity of all operations. Additionally, strong reserve balances allow OCTA to sustain operations in a safe manner and continue critical infrastructure projects. The professional staff at OCTA is necessary to continue these projects and services, and employees are



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required to work in an unprecedented environment. Construction markets have been relatively unaffected by the pandemic and OCTA-related construction projects have continued and have been accelerated in many ways on most extensive capital projects program in OCTA's history.

The continued funding of the merit and bonus pools, albeit at lower levels, allows management to continue to retain employees in a market where peer agencies continue to operate as they also are essential businesses.

Staff will continue to evaluate this proposal over the coming weeks prior to the budget hearing to ensure we are able to provide the Board of Directors with any updated information, and a presentation on the PSR will be presented to the Finance and Administration Committee at the meeting of May 27, 2020.