



April 8, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 91 Express Lanes Update and Temporary Measures

Overview

Traffic volumes on the 91 Express Lanes have declined significantly over the past several weeks as a result of the coronavirus pandemic and California Governor Gavin Newsom's stay-at-home order. This report provides the latest information on traffic volumes and operations.

Recommendations

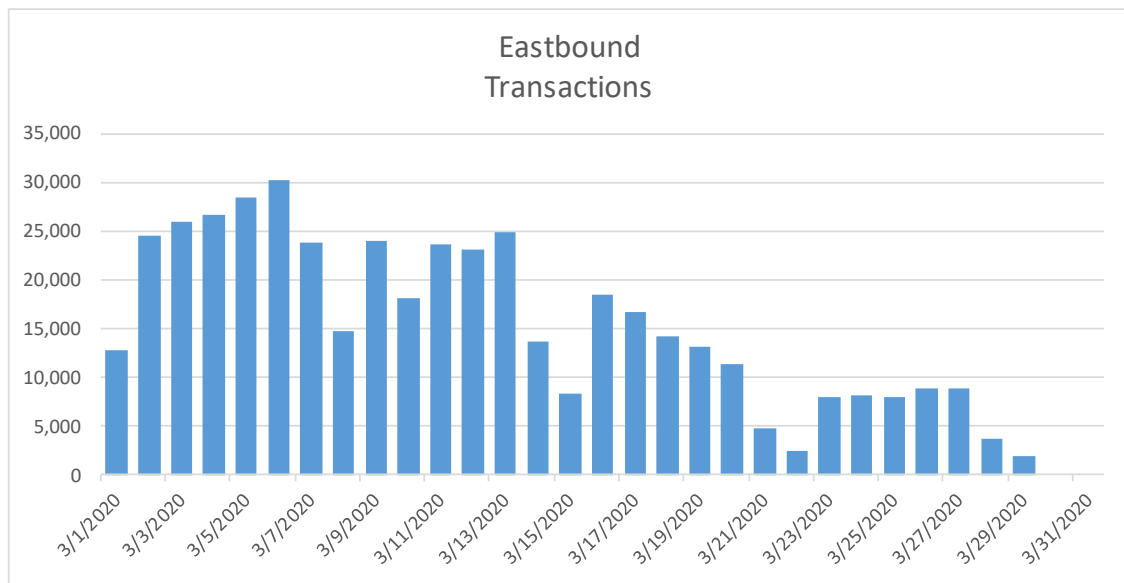
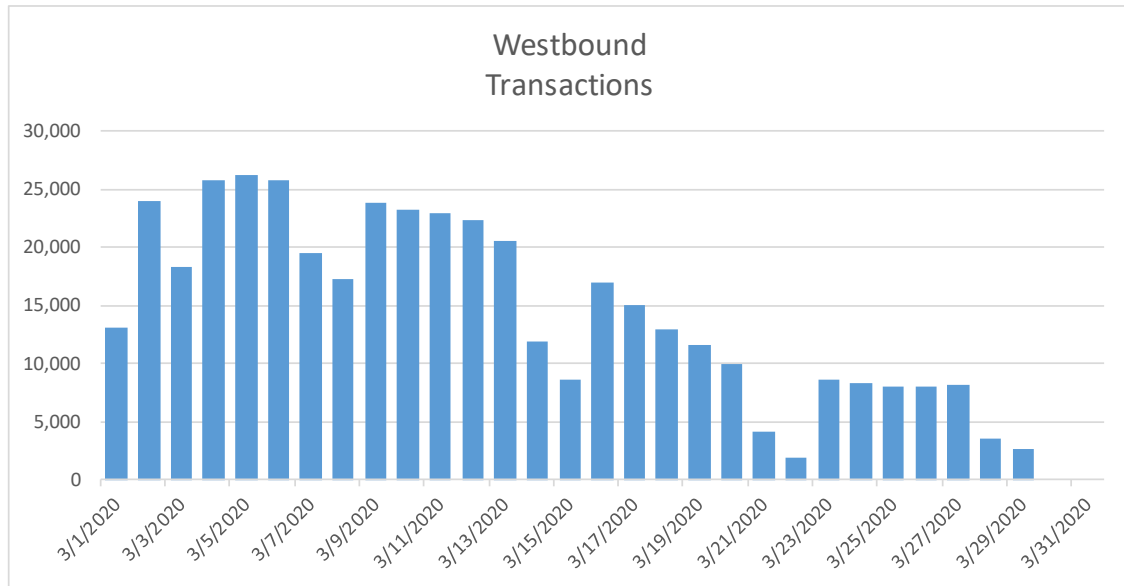
- A. Authorize the Chief Executive Officer to temporarily waive for a period of up to 90 days, 91 Express Lanes monthly account fees, contingent upon a similar approval from the Riverside County Transportation Commission.
- B. Authorize the Chief Executive Officer to temporarily modify for a period of up to 90 days the 91 Express Lanes Toll Policy to allow for the ability to remove automatic toll rates increases, if necessary.

Discussion

The coronavirus (COVID-19) pandemic represents a significant challenge to both the global economy and to toll road facilities. State and local governments across the United States have issued orders for residents to self-quarantine and refrain from non-essential travel in an effort to slow the spread of the virus. These efforts have caused the economy to slow and have resulted in severe traffic declines well in excess of peak losses during the global financial crisis in 2008. Managed-lane facilities throughout the country have experienced year-over-year commuter traffic declines of about 60 to 70 percent. The 91 Express Lanes are no different, experiencing traffic declines of approximately 70 percent when compared to the same period last year.

The following graphs highlight the number of average daily trips (first chart is for the westbound direction and the second is for the eastbound direction) on the

91 Express Lanes in Orange County during the month of March 2020. The graphs illustrate the gradual decline of traffic during the month.



The table below compares traffic volumes in Orange County by day during the week of March 22 through March 28, 2020, with average daily traffic volumes from March 2019. During March 2019, traffic volumes averaged approximately 50,000 per day. For the week provided in March 2020, traffic volumes averaged approximately 15,000, which represents about a 70 percent decline from last year's average figures.

| | March 2019 Average Daily Traffic | Week of March 22 - 28, 2020 Average Daily Traffic | Percent Decline |
|-----------|--|---|-----------------|
| Sunday | 35,214 | 4,376 | 87.6% |
| Monday | 50,296 | 16,510 | 67.2% |
| Tuesday | 52,390 | 16,542 | 68.4% |
| Wednesday | 51,851 | 16,059 | 69.0% |
| Thursday | 54,940 | 16,854 | 69.3% |
| Friday | 58,142 | 17,016 | 70.7% |
| Saturday | 46,914 | 7,217 | 84.6% |

As a result of the lower traffic volumes, toll revenues have also declined by approximately 60 percent in Orange County, and calls into the customer service center have decreased by 40 percent since mid-March 2020. Operational activities in the Anaheim and Corona locations continue to function with a combination of remote workers and core staff located at the facilities. Core essential functions include aiding stranded motorists through customer assistance patrols (similar to freeway service patrol), providing incident management services and dispatching emergency vehicles through the traffic operations center, and responding to customer service and violation calls at the customer service center.

Actions to Date

With less traffic on the 91 Express Lanes, some violation and collection efforts have been temporarily halted by the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC). These include pausing outbound collection calls, not sending collection notices, and stopping the transmission of violation files to the collection agency. These violations will remain outstanding until the temporary mandates have been lifted. The temporary maximum of new violations will be at \$55 per violation versus the current amount of \$190. Violation files will remain at Cofiroute (provider of operating services to OCTA and RCTC) and not be transferred to the collection agency until further notification by OCTA and RCTC. Representatives at Cofiroute and the collection agency will still be servicing calls for those individuals that want to pay for the violations. This temporary pause for these measures was implemented with the understanding that many individuals may find it difficult to pay for violations at this time.

Additional Authorizations Requested

In July 2018, the Board of Directors (Board) adopted changes to the 91 Express Lanes account plans and policies as a result of the mandated changes to 6C (sticker transponder) technology by January 2019. The new plans

incorporated lower monthly account maintenance fees since the cost to procure the sticker transponders were significantly lower than the prior Title 21 transponders. In late 2019, the transition to new transponders and the conversion to the new account plans began. The transition and account conversions are anticipated to continue until fall 2020.

Many accounts that incur monthly fees have not been converted as of the end of March 2020. As such, they are being charged a monthly account maintenance fee since they are not using the 91 Express Lanes during this mandated stay-at-home period. Given this situation, staff is recommending that OCTA's Chief Executive Officer (CEO) have the authorization to temporarily waive these account maintenance fees for a period of up to 90 days. This requires OCTA Board approval, as well as approval from the RCTC Board since this is a revenue stream that is shared between each agency. RCTC's Board will be considering the matter at its April 8, 2020 Commission meeting. The anticipated revenue loss for OCTA is projected at approximately \$200,000 per month. If the stay-at-home mandate is lifted and traffic volumes return to a normal state, the monthly account maintenance fees will be reinstated by the CEO.

In addition to the waiver of account maintenance fees, staff is also recommending the authorization for OCTA's CEO to temporarily modify the 91 Express Lanes Toll Policy (Policy) with respect to toll adjustments, specifically toll rate increases. The Policy adjusts toll rates up or down based upon traffic volumes recorded on the 91 Express Lanes each quarter. Given that traffic volumes have decreased, it is not anticipated that toll increases will be triggered over the next quarterly period. However, the Policy also includes a cost-of-living adjustment (COLA) for July 1 of each year. An automatic two percent increase will be applied to hours that have not had any toll rate changes during the past fiscal year. Staff is seeking the ability to forgo this COLA adjustment on July 1, 2020, if the current economic conditions persist through the end of the fiscal year. Not implementing the July 1 COLA is estimated to cost \$350,000. This is a conservative estimate and is based upon previous traffic levels. Since traffic volumes are considerably less in the current environment, the revenue loss would likely be less. The CEO would notify the Board if the COLA is not implemented ten days prior to July 1.

Debt Service Payments and Reserves

The 91 Express Lanes currently has \$91.7 million in outstanding debt and the debt matures in 2030. Interest payments are due to investors every February 15 and August 15, and principal payments are made every August 15. The next debt service payment will occur on August 15, 2020, in the amount of \$8.7 million.

OCTA is allowed to transfer excess toll revenues from the indenture-required operating account into non-restricted reserves twice a year. Most recently on February 16, 2020, OCTA transferred funds toward non-restricted project reserves. The balance in the indenture-required operating account totals \$10.6 million as of February 29, 2020. This balance increases and decreases each month based upon total revenues being deposited and operating expenses being paid. In the past, the net positive cash flow (revenues over expenses) has totaled approximately \$3.5 million per month. Given the lower traffic and volumes and revenues, the indenture-required operating account is anticipated to grow at a much slower rate over the next several months.

OCTA has three indenture required reserve funds that are fully funded and total approximately \$25 million. Over the past several years, OCTA has transferred excess toll revenues into a few non-restricted reserves. There are three non-restricted reserves: a capital reserve (\$24.9 million), a project reserve for Measure M2 Project I and J (\$57.2 million), and an excess revenue reserve (\$97.7 million). After deducting the amounts earmarked for projects, the excess revenue reserve has approximately \$82 million available to fund future operating and debt service payments for the 91 Express Lanes. If traffic volumes continue to decline further or if the stay-at-home mandate remains in place for a longer time period, OCTA has the financial capability to fund operating and debt service payments for a sustained period of time

Next Steps

If approved by the OCTA and RCTC Boards, the account maintenance fees will be waived commencing April 1, 2020. If the current conditions persist beyond 90 days, staff will return to the Board in late June 2020 with an update and potentially request an extension of this temporary measure.

The next debt service payment is scheduled for August 15, 2020. There are enough funds on hand to make the payment.

OCTA will continue to hold conference calls with the rating agencies regarding the operational status of the 91 Express Lanes. These calls provide OCTA with the opportunity to update interested parties on the most recent traffic volumes, revenues, and operating activities.

Summary

A status on 91 Express Lanes finances and operations is provided for review. In addition, staff is requesting Board of Directors' approval for authorization for the Chief Executive Officer to implement temporary measures related to the ongoing operations of the 91 Express Lanes.

Attachment

None.

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