



June 8, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2022-23 Budget and Personnel and Salary Resolution

Overview

The Orange County Transportation Authority Fiscal Year 2022-23 Budget presents a balanced plan of sources and uses of funds while providing for the current and future transportation needs of Orange County. The Board of Directors may approve the Orange County Transportation Authority Fiscal Year 2022-23 Budget following the public hearing to be held at the Board of Directors' meeting on June 13, 2022, at the following Board of Directors' meeting on June 27, 2022, or in a special meeting convened at their discretion, on or before June 30, 2022. The Board of Directors are also asked to approve changes to the Personnel and Salary Resolution as part of the budget approval process.

Recommendations

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2022-23 Budget.
- B. Approve the Personnel and Salary Resolution for fiscal year 2022-23.
- C. Authorize the Chief Executive Officer, or his designee, to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders, and/or agreements.
- D. Approve fiscal year 2022-23 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, operating subsidy, in an amount up to \$46,167,104, including authorization of federal funding to be drawn down directly by the Southern California Regional Rail Authority, in an amount up to \$46,167,104, which includes federal supplemental funding of \$26,624,520. In addition, approve the capital and rehabilitation expenditure budget contingent upon

all member agencies' approval of their respective capital and rehabilitation budgets. The Orange County Transportation Authority portion of the costs for capital is \$3,447,350 and \$27,237,610 for rehabilitation.

Background

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2021 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). Through sound financial planning, OCTA is in a strong position to propose a budget that has the flexibility to adapt to increased demand for services and programs. The service plan, program goals, and objectives included in the budget are in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January 2022, which were subject to successive internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement to ensure a balanced and fiscally responsible budget is delivered consistent with the Board's goals, CEO's goals, OCTA's Strategic Plan, the Comprehensive Business Plan, and the 2020 Next 10 Delivery Plan.

The development of the FY 2022-23 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration (F&A) Committee on March 23, 2022. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), transit, motorist services, and the 91 Express Lanes.

Staff presented the FY 2022-23 budget in an informal workshop setting on May 9, 2022. The presentation included a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation was solely informational for the Board. No public hearing was held at the meeting, nor was the Board asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 13, 2022, Board meeting, after which staff anticipates seeking Board approval of the budget.

Discussion

The FY 2022-23 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the current FY. The uses of these funds are planned and do not represent a utilization of funds, as a result of deficit spending. Uses of funds include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,650.2 million, while proposed expenditures and designations yield a total use of funds of \$1,650.2 million. On a year-over-year comparison to the approved FY 2021-22 budget, the FY 2022-23 proposed budget is 30.2 percent, or \$383.1 million, greater than the FY 2021-22 approved budget.

Under the M2 program, sales tax revenue growth is anticipated to remain strong, and the program will continue to improve freeways and streets and roads throughout Orange County, as well as fund transit programs. Included in the proposed budget are freeway improvement projects on State Route 55, Interstate 5, Interstate 405, State Route 57, and State Route 91. Streets and roads improvements include the Local Fair Share Program, the Regional Capacity Program, and Regional Traffic Signal Synchronization Program. In addition, the budget also includes funding for multiple M2 transit programs, including Metrolink and the OC Streetcar.

The FY 2022-23 budget assumes the continued use of federal supplemental funding to accommodate increased fixed-route service levels based on demand. Revenue hours of 1.6 million are budgeted with approximately 60 percent of the hours directly operated by OCTA and 40 percent of the hours provided by OCTA's contractor. Paratransit service trips are anticipated to increase from current levels of 980,000 to 1.2 million. In addition, OC Flex service will continue at current service levels.

The federal supplemental funding also provides OCTA with the capability to fund additional Metrolink service. Metrolink is currently operating 57 train trips within Orange County but plans to return to pre-pandemic trip levels during FY 2022-23. The budget includes the capacity to add 14 trips to reach pre-pandemic trip levels of 71 total trips. Train trips would include 55 weekday trips and 16 weekend trips within Orange County.

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Staff has attended and will continue to attend and be available to present, review, and/or answer questions about the budget at the following committees, as well as to individual Board Members upon request.

Committee	Date
Finance and Administration	May 11
Transit Committee	May 12
Executive Committee	June 6
Regional Planning and Highways	June 6
Finance and Administration (Preview of Public Hearing)	June 8
Transit Committee	June 9

Personnel and Salary Resolution (PSR)

The FY 2022-23 PSR (Attachment C) governs administrative employees and is approved annually as part of the budget. Changes have been made to the PSR to include minor clarifications, where necessary.

The PSR includes a five percent merit pool and four percent special performance award (bonus pool) pool. The PSR also includes an adjustment of five percent to the maximum salary for each salary grade and a market-based adjustment of approximately 17 percent for Grade W. The larger increase included for Grade W positions is to provide Executive Management another tool to retain key staff in these positions. These positions include OCTA's Senior Program Manager and Senior Department Manager positions. Salary grade adjustments do not automatically increase employee salaries unless they are below the minimum of the new range. Currently, there are 22 OCTA employees that fall below the proposed minimum grade range, which would require an automatic salary increase totaling \$38,480. The 22 employees represent a small percentage (1.6 percent) of OCTA's total workforce of 1,361.5 employees.

Information Systems Licensing and Maintenance Agreements

Each year, in conjunction with approving the budget, the Board approves OCTA's software and hardware licensing and maintenance agreements. OCTA follows industry practice to ensure proper maintenance and to receive critical product upgrades of its licensed software and purchased hardware. The annual and multi-year licensing and maintenance agreements are executed with each hardware and software developer on a sole source basis, for an amount not to exceed the contracted value for each vendor. The sole source list includes

licensing and maintenance agreements, as well as emergency support after hours, weekends, and holidays.

The Carahsoft vendor listed on the sole source list provides security licenses for our active monitoring, detection, and response platform, which includes incident management response services. Though other firms offer this service, OCTA included them on the sole source list based on the criticality of their services and prior knowledge and experience with OCTA, as well as their standing in the industry regarding cyber security remediation. On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$6.6 million. A list of the agreements is included as Attachment D.

Southern California Regional Rail Authority (SCRRA) Budget

Under the Joint Powers Agreement that governs the SCRRA, each member agency must approve its financial contribution to the SCRRA budget. The FY 2022-23 SCRRA budget estimates the OCTA operating funding allocation of in an amount up to \$46,167,104, including authorization of federal funding to be drawn down directly by the SCRRA, in an amount up to \$46,167,104, which includes federal supplemental funding of \$26,624,520.

In addition to the annual operating funding allocation, OCTA is also responsible for a portion of the costs for capital and rehabilitation projects. These projects are typically led by the SCRRA, and the grant funds to pay for them are drawn down directly by the SCRRA. As a result, these projects are not typically included in OCTA's budget. The SCRRA budget (Attachment E) provides a detailed list of projects and the associated costs by member agency. OCTA's portion of the costs for capital is \$3,447,350 and the cost for rehabilitation is \$27,237,610.

Summary

The Orange County Transportation Authority Fiscal Year 2022-23 Budget was reviewed by the Board of Directors in a workshop setting on May 9, 2022. The Board of Directors may approve the Orange County Transportation Authority Fiscal Year 2022-23 Budget following the public hearing on June 13, 2022, at the regularly scheduled meeting on June 27, 2022, or in a special meeting convened at their discretion, on or before June 30, 2022.

Attachments

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2022-23, OCTA Resolution No. 2022-024
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2022-23
- C. Proposed Changes for the Personnel and Salary Resolution (PSR) FY2022-23
- D. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List - Fiscal Year 2022/2023
- E. Transmittal of the Metrolink Southern California Regional Rail Authority Proposed FY 2022-23 Budget

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