



March 28, 2018

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Fiscal Year 2017-18 Second Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenue and expenses through the second quarter of fiscal year 2017-18.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2017-18 Budget on June 12, 2017. The approved budget itemized the anticipated revenue and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.29 billion. Sources of funds were comprised of \$1.06 billion in current FY revenue and \$232.6 million in use of prior year designations. Uses of funds were comprised of \$1.15 billion of current year expenditures and \$142.7 million of designations.

The Board has approved four amendments through the second quarter, increasing the expense budget by \$24.8 million. The first amendment was approved on September 25, 2017, to support the new upcoming Bravo! Bus Route 529, and increased the maximum obligation with New Flyer of America, Inc., by \$3.6 million, exercising an option to purchase six, 40-foot, low floor compressed natural gas buses wrapped with the Bravo! branding. The second amendment was approved on October 9, 2017, in the amount of \$1.9 million. The amendment was necessary to accommodate a contract change order with Bomel Construction Company, Inc., for the removal and disposal of

contaminated materials discovered at the construction site of the Metrolink parking structure at the Orange Transportation Center. A third amendment was approved by the Board on October 9, 2017, in the amount of \$6 million, to pay for a portion of OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) in place of Federal Transit Administration (FTA) grant funds. When the Board originally approved the OCTA member contribution to SCRRA for Metrolink service, in an amount up to \$28.2 million, it included \$6 million of FTA grant funds to be drawn down directly by SCRRA. Subsequently, OCTA was notified by SCRRA that, due to the timeline of the FTA grant application and award process, they would not be able to utilize the \$6 million in the current FY. As a result, this budget amendment was necessary to supplant the FTA grant funds. A fourth amendment, approved by the Board on November 13, 2017, increased the expense budget by \$13.3 million to accommodate the purchase of ten hydrogen fuel cell electric buses. The purchase will be completed through a new contract with New Flyer of America, Inc. In total, these amendments increased the working budget to \$1.31 billion for the FY.

Discussion

Staff monitors and analyzes revenue and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) 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 in Attachment A are Bus, Rail, 91 Express Lanes, Motorist Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by \$4.9 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun can be expected to continue throughout the year based on future net vacancies.

Bus program operating revenue underran by \$6.7 million due to the execution of an FTA operating assistance grant for bus preventative maintenance now expected to take place in the third quarter. Bus program operating expenses underran the budget by \$4 million, primarily due to staffing vacancies and paratransit services. Capital revenue and expenses underran the budget by \$2.2 million and \$2.1 million, respectively. The variance is associated with a project to remove liquefied natural gas underground storage tanks at the Anaheim and Garden Grove bus bases.

The Rail Program operating revenue was in line with the budget, coming within one percent. Operating expenses were \$1.3 million greater than the budget, primarily due to the earlier-than-anticipated third quarter Metrolink operating subsidy payment to SCRRA which was paid in the second quarter. Capital expenses underran the budget by \$2.7 million, or 11.4 percent, driven by underruns in the Laguna Niguel/San Juan Capistrano Metrolink Station Passing

Siding Project and the Orange Transportation Center Metrolink Parking Structure Project.

The 91 Express Lanes Program received \$4.7 million, or 21 percent, more in operating revenue than budgeted. This is primarily due to the continued increase in demand based on Riverside County Transportation Commission’s opening of the 91 Express Lanes extension into Riverside County. Actual operating expenses were \$1.2 million, or 12.2 percent, lower than the budget due to timing of contract procurements for toll systems integration with the future 405 Express Lanes, and consultant services for the State Route 91 Implementation Plan.

Revenue and expenses for the Motorist Services Program were mostly in alignment with the services provided, with a minor underrun in operating expense related to invoicing for Freeway Service Patrol.

Sales tax revenue advances for the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program grew by 2.6 percent and 3.11 percent year-over-year, respectively, compared to the budgeted growth rates of 3.3 percent and 2.4 percent. However, the actual amount of sales tax receipts for the second quarter will not be finalized until mid-March when OCTA receives the second quarter “true-up” payment. The amount of the true-up payment varies significantly from quarter to quarter and is, therefore, difficult to forecast.

LTA M2 Program sales tax revenue underran the budget by \$0.8 million based on advances. LTF Bus Program sales tax revenue overran the budget by \$0.2 million based on advances.

Table 1 - Second Quarter LTA and LTF Sales Tax Revenue				
	Budget	Actual	\$ Variance	% Variance
LTA	\$ 154,263,138	\$ 153,468,923	\$ (794,215)	-0.51%
LTF	\$ 79,118,282	\$ 79,358,545	\$ 240,263	0.30%

Summary

Overall, OCTA revenue overran the budget by \$48 million. This is primarily due to receiving more M2 grant revenue than anticipated. Sales tax revenue advances for the LTA M2 Program and LTF Bus Program grew by 2.6 percent and 3.11 percent year-over-year, respectively. Salaries and benefits underran the budget by \$4.9 million, primarily due to vacancies. Operating expenses underran the budget by \$62 million, primarily due to the M2 Program Freeway

and Streets and Roads modes. Capital expenses underran the budget by \$40 million, primarily due to construction projects under the M2 Program.

Attachment

- A. Quarterly Budget Status Report Second Quarter of Fiscal Year 2017-18

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