



# **AGENDA**

## ***Finance and Administration Committee Meeting***

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### **Committee Members**

Michael Hennessey, Chairman  
Richard Murphy, Vice Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Michelle Steel  
Donald P. Wagner

Orange County Transportation Authority  
Headquarters  
550 South Main Street  
Board Room – Conf. Room 07  
Orange, California

**Wednesday, May 22, 2019 at 10:30 a.m.**

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at [www.octa.net](http://www.octa.net) or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

### **Call to Order**

### **Pledge of Allegiance**

Director Wagner

### **1. Public Comments**

### **Special Calendar**

### **2. Taxable Sales Forecast - MuniServices - Doug Jensen, Senior Vice President, Client Services** Sam Kaur/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2019. Doug Jensen, from MuniServices, will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



### **Consent Calendar (Items 3 through 13)**

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

**3. Approval of Minutes**

Approval of the minutes of the Finance and Administration Committee meeting of April 24, 2019.

**4. Triennial Performance Audits**

Ricco Bonelli/Janet Sutter

**Overview**

Triennial performance audits have been conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2015-16 through 2017-18. These triennial performance audits are required by the Transportation Development Act. The audits found all three entities in compliance with applicable sections of the California Public Utilities Code.

**Recommendations**

- A. Direct staff to implement seven recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of the Orange County Transportation Authority.
- B. Direct staff to monitor implementation of recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of Laguna Beach Municipal Transit Lines.

**5. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018**

Gabriel Tang/Janet Sutter

**Overview**

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2018. Based on the audit, the Orange County Transportation Authority complied with its debt and investment policies; however, a few errors were identified in the fourth quarter investment and debt report, and a recommendation was made to enhance monitoring of asset-backed securities' diversification limits.



**5. (Continued)**

**Recommendation**

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018, Internal Audit Report No. 19-507.

**6. Orange County Transportation Authority Investment and Debt Programs Report - April 2019**

Sean Murdock/Andrew Oftelie

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending April 30, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

**Recommendation**

Receive and file as an information item.

**7. Fiscal Year 2018-19 Third Quarter Grant Reimbursement Status Report**

Sam Kaur/Andrew Oftelie

**Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of January through March 2019.

**Recommendation**

Receive and file as an information item.



**8. Agreement with the California Highway Patrol for Enforcement Services on the 91 Express Lanes**  
Kirk Avila/Kenneth Phipps

**Overview**

The Amended and Restated Development Franchise Agreement, entered into between the California Department of Transportation and the California Private Transportation Company, requires the California Highway Patrol to provide enforcement services on the 91 Express Lanes. With the purchase of the 91 Express Lanes, the Orange County Transportation Authority assumed all agreements from the California Private Transportation Company. The California Highway Patrol is requiring a new agreement to be established with the Orange County Transportation Authority for toll and traffic enforcement services on the 91 Express Lanes.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1172, between the Orange County Transportation Authority and California Highway Patrol, for a contract term of ten years, in an amount not to exceed \$12,326,335, for toll and traffic enforcement services on the 91 Express Lanes.

**9. Amendment to the 91 Express Lanes Riverside County Transportation Commission/Orange County Transportation Authority Facility Agreement**  
Kirk Avila/Kenneth Phipps

**Overview**

The 91 Express Lanes Riverside County Transportation Commission/Orange County Transportation Authority Facility Agreement prescribes the funding transfers between the two agencies for costs incurred for the rent and any shared operational expenses in relation to the 91 Express Lanes. An amendment is needed to account for the reimbursement of shared operating costs incurred by the Riverside County Transportation Commission for the period July 1, 2019 through June 30, 2020.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3828 between the Orange County Transportation Authority and Riverside County Transportation Commission, in the amount of \$917,000, for the reimbursement of shared operational expenses through June 30, 2020.



**10. 91 Express Lanes Update for the Period Ending March 31, 2019**

Kirk Avila/Kenneth Phipps

**Overview**

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, over 214 million trips have been taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period-ending March 31, 2019.

**Recommendation**

Receive and file as an information item.

**11. Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2019-20**

Sam Kaur/Andrew Oftelie

**Overview**

The State Constitution requires that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following year pursuant to Article XIII B.

**Recommendation**

Adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2019-027 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,821,701,129 for fiscal year 2019-20.

**12. Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2019-20**

Sam Kaur/Andrew Oftelie

**Overview**

The State Constitution requires that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following year pursuant to Article XIII B.

**Recommendation**

Adopt Orange County Transportation Authority Resolution No. 2019-028 to establish the Orange County Transportation Authority General Fund appropriations limit at \$12,054,043 for fiscal year 2019-20.



- 13. Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2019**  
Sean Murdock/Andrew Oftelie

**Overview**

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending March 31, 2019. The report has been reviewed and is consistent with the pool objectives.

**Recommendation**

Receive and file as an information item.

**Regular Calendar**

- 14. Consultant Selection for the Implementation of the Federal Disadvantaged Business Enterprise Program**  
Virginia Abadessa/Andrew Oftelie

**Overview**

On February 5, 2019, the Orange County Transportation Authority issued a request for proposals for Disadvantaged Business Enterprise consulting services. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested for the selection of a firm to perform the required work.

**Recommendations**

- A. Approve the selection of Padilla & Associates, Inc., as the firm to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for the Orange County Transportation Authority.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0987 between the Orange County Transportation Authority and Padilla & Associates, Inc., to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for a five-year term, in the amount of \$950,000.



**15. Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2019-20 Budget and Personnel and Salary Resolution**

Victor Velasquez/Andrew Oftelie

**Overview**

The Orange County Transportation Authority Fiscal Year 2019-20 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 fiscal year 2019-20 budget following the public hearing to be held at the Board of Director's Meeting on June 10, 2019, at the following Board of Directors' meeting on June 24, 2019, or in a special meeting convened at their discretion. 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 2019-20 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2019-20.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approval of fiscal year 2019-20 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, in an amount up to \$30,287,870, including authorization of Federal Transit Administration funds, in an amount up to \$8,500,000, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County Transportation Authority portion of the costs for capital is \$515,980 and \$12,679,851 for rehabilitation.



**Discussion Items**

**16. Chief Executive Officer's Report**

**17. Committee Members' Reports**

**18. Closed Session**

There are no Closed Session items scheduled.

**19. Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, June 12, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



# Taxable Sales Forecast

# MuniServices

Doug Jensen, Senior Vice President  
Client Services

# Orange County Transportation Authority

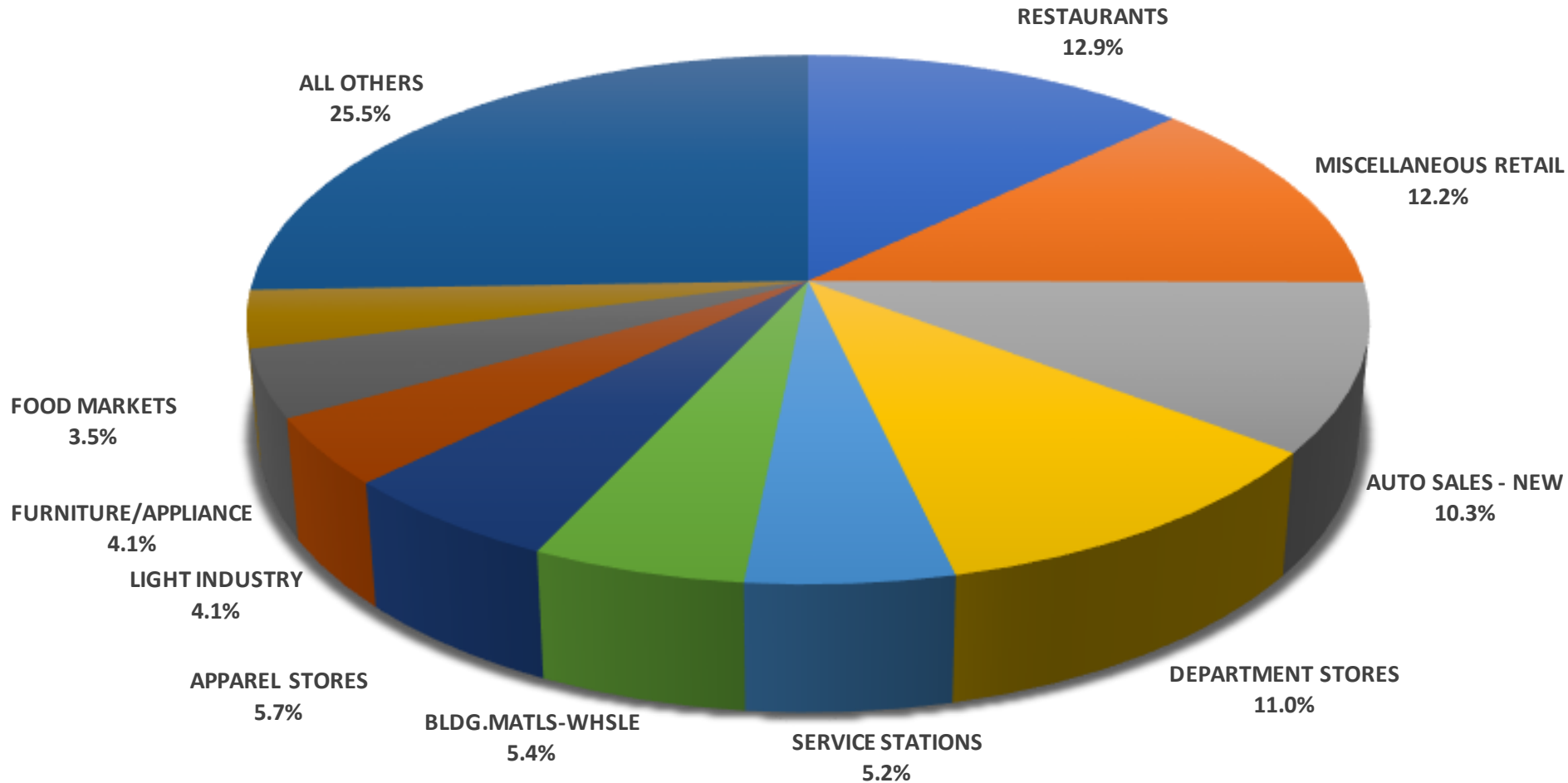
Measure M2 and TDA Forecast Review  
May 2019

# Performance Comparison

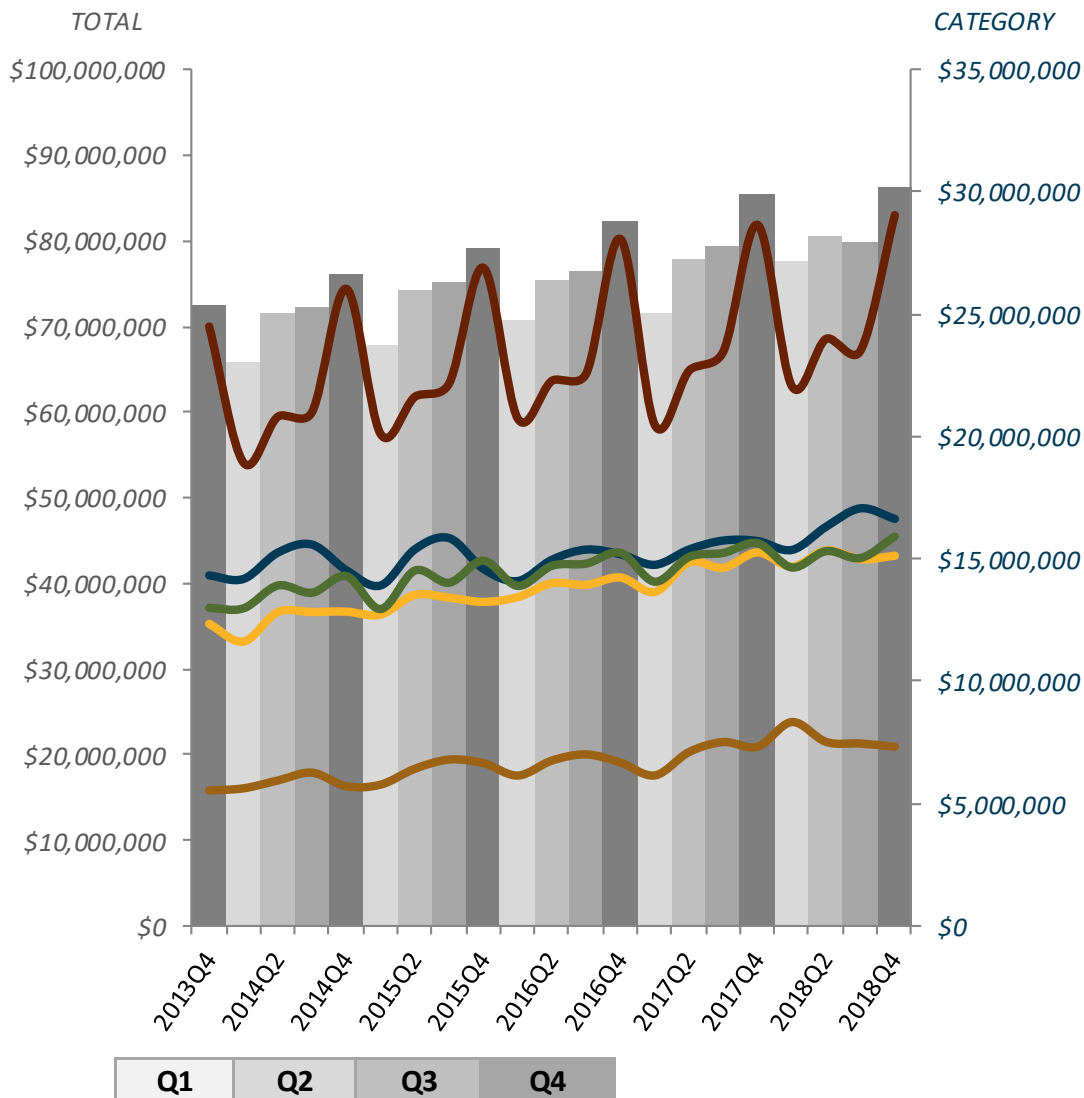
	Quarter over Quarter			Year over Year		
	OCTA	LAMTA	SANDAG	OCTA	LAMTA	SANDAG
<b>TOTAL</b>	<b>0.8%</b>	2.2%	-1.3%	<b>3.2%</b>	3.9%	3.3%
GENERAL RETAIL	<b>1.6%</b>	3.3%	0.6%	<b>3.3%</b>	3.6%	3.1%
FOOD PRODUCTS	<b>-0.9%</b>	-0.5%	-2.6%	<b>3.0%</b>	3.6%	2.8%
TRANSPORTATION	<b>5.9%</b>	7.1%	2.7%	<b>6.2%</b>	5.9%	4.2%
CONSTRUCTION	<b>0.0%</b>	3.5%	-1.3%	<b>9.2%</b>	11.7%	10.3%
BUSINESS TO BUSINESS	<b>1.8%</b>	2.3%	-1.6%	<b>1.5%</b>	3.2%	4.2%

<b>Economic Segments</b>	OCTA	LAMTA	SANDAG	OCTA	LAMTA	SANDAG
RESTAURANTS	<b>1.8%</b>	2.0%	0.1%	<b>2.9%</b>	3.2%	3.1%
MISCELLANEOUS RETAIL	<b>2.3%</b>	3.3%	-2.4%	<b>3.7%</b>	3.4%	2.6%
AUTO SALES - NEW	<b>8.7%</b>	7.0%	2.5%	<b>6.5%</b>	3.8%	0.9%
DEPARTMENT STORES	<b>2.8%</b>	4.2%	4.0%	<b>2.7%</b>	3.3%	3.2%
SERVICE STATIONS	<b>4.7%</b>	10.9%	6.8%	<b>11.1%</b>	13.5%	13.5%
BLDG.MATLS-WHSLE	<b>-2.0%</b>	2.0%	-2.3%	<b>4.6%</b>	6.9%	4.7%
APPAREL STORES	<b>3.8%</b>	4.7%	2.0%	<b>5.0%</b>	4.6%	4.5%
LIGHT INDUSTRY	<b>1.3%</b>	-0.5%	-0.5%	<b>0.6%</b>	-3.0%	1.9%
FURNITURE/APPLIANCE	<b>-2.2%</b>	-0.4%	-1.2%	<b>4.4%</b>	3.1%	2.8%
FOOD MARKETS	<b>-10.1%</b>	-9.7%	-12.7%	<b>3.2%</b>	5.6%	1.5%
BLDG.MATLS-RETAIL	<b>3.6%</b>	6.0%	0.0%	<b>16.9%</b>	18.9%	17.7%
OFFICE EQUIPMENT	<b>-0.5%</b>	-3.9%	2.1%	<b>-2.4%</b>	-4.8%	3.5%
HEAVY INDUSTRY	<b>-2.6%</b>	7.8%	0.7%	<b>0.1%</b>	8.3%	8.1%
LEASING	<b>2.6%</b>	2.4%	0.5%	<b>4.8%</b>	6.4%	8.4%

# Top 10 Segments



# Quarterly Performance



TOTAL				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$86,128,421	0.8%	\$683,489	3.2%	\$9,932,293
GENERAL RETAIL				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$29,068,878	1.4%	\$398,899	3.5%	\$3,315,278
% of 2018Q4 Total:		33.8%		
FOOD PRODUCTS				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$15,138,581	-0.9%	-\$138,735	3.0%	\$1,744,761
% of Total:		17.6%		
TRANSPORTATION				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$16,645,729	5.9%	\$922,630	6.2%	\$3,823,696
% of Total:		19.3%		
CONSTRUCTION				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$7,326,597	0.0%	\$872	9.2%	\$2,578,138
% of Total:		8.5%		
BUSINESS TO BUSINESS				
2018Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$15,906,491	1.8%	\$276,831	1.5%	\$880,889
% of Total:		18.5%		

QoQ = 18Q4 / 17Q4

YoY = YE 18Q4 / YE 17Q4

# Top 25 Sales Tax Generators (Alpha Order)

AMAZON.COM

APPLE STORES

ARCO AM/PM STORES

BEST BUY STORES

CARMAX AUTO SUPERSTORES

CHEVRON SERVICE STATIONS

CIRCLE K FOOD STORES

COSTCO WHOLESALE

CVS PHARMACY

DAIMLER TRUST

DISNEYLAND

ENTERPRISE RENT-A-CAR

G&M OIL CO

GANHAL LUMBER COMPANY

HOME DEPOT

LOWE'S HOME CENTERS

MACY'S DEPARTMENT STORES

MCDONALD'S RESTAURANTS

NORDSTROM DEPARTMENT STORE

RALPH'S GROCERY COMPANY

ROSS STORES

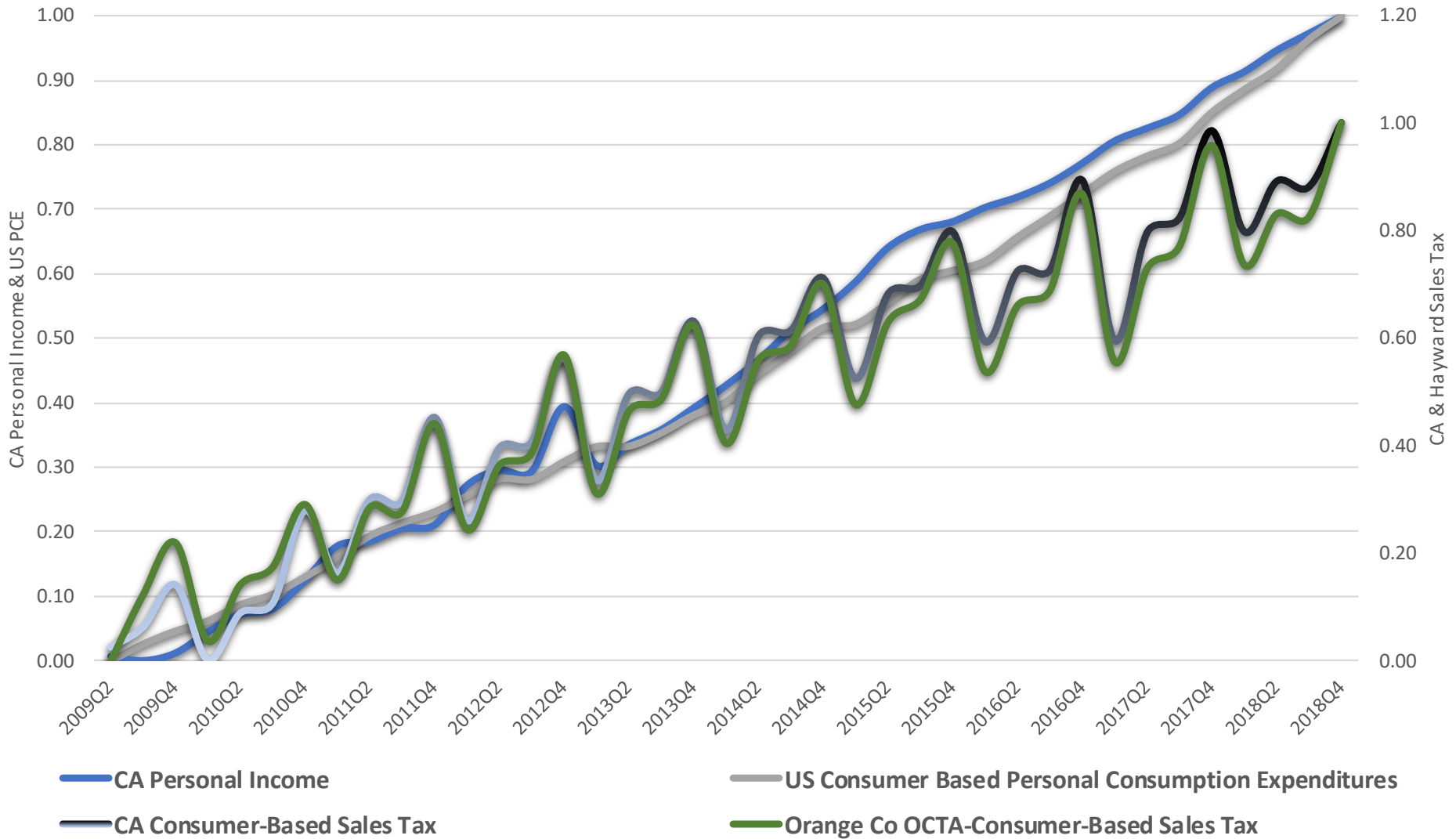
SHELL SERVICE STATIONS

TARGET STORES

TESLA

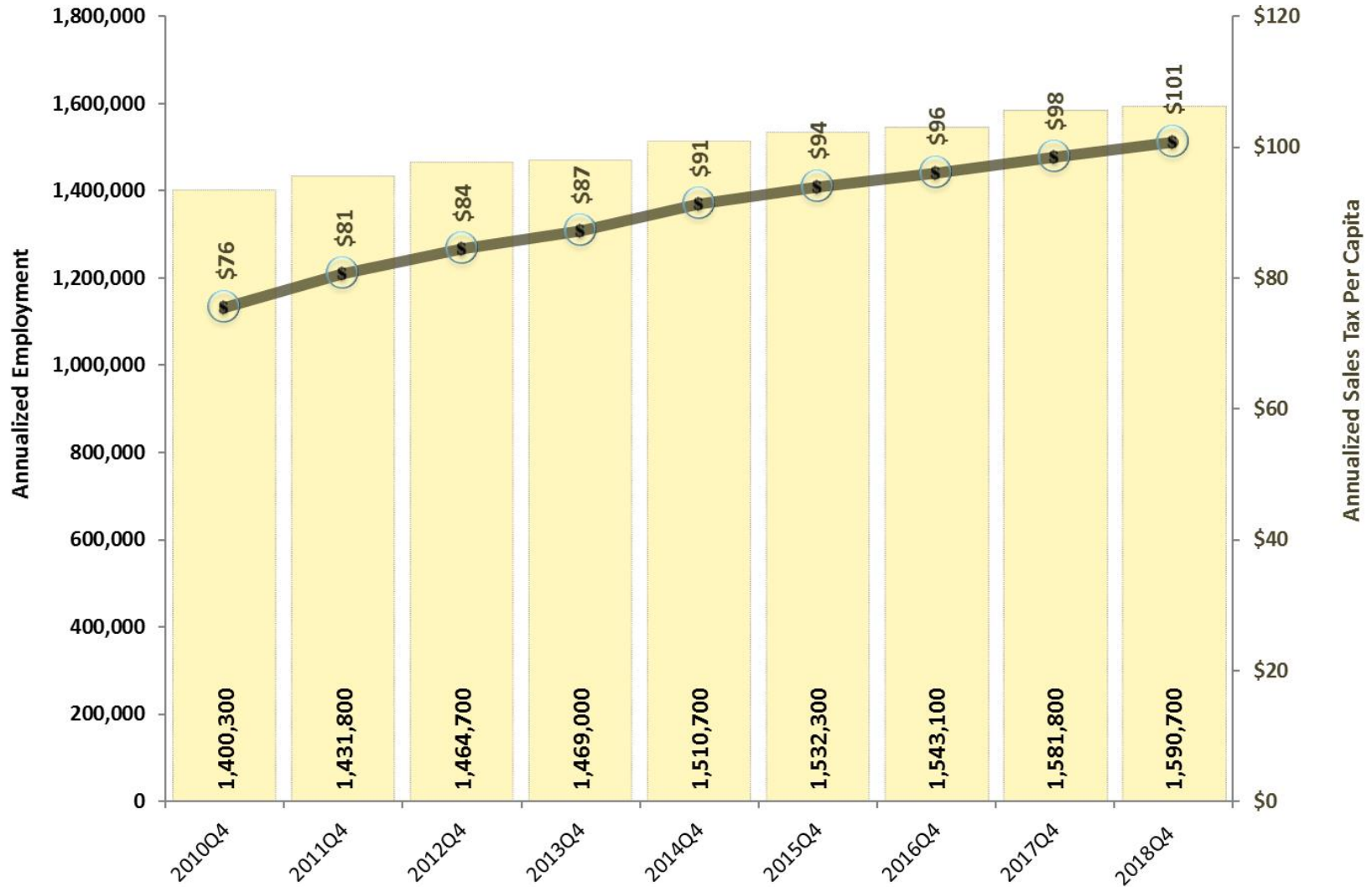
WAL MART STORES

# Sales Tax Revenues Compared to Income



Orange Co OCTA's sales tax trend compares well with California statewide, but neither one's revenue has kept up with the trends in consumer income and spending.  
\*\*Data is normalized to show trend.

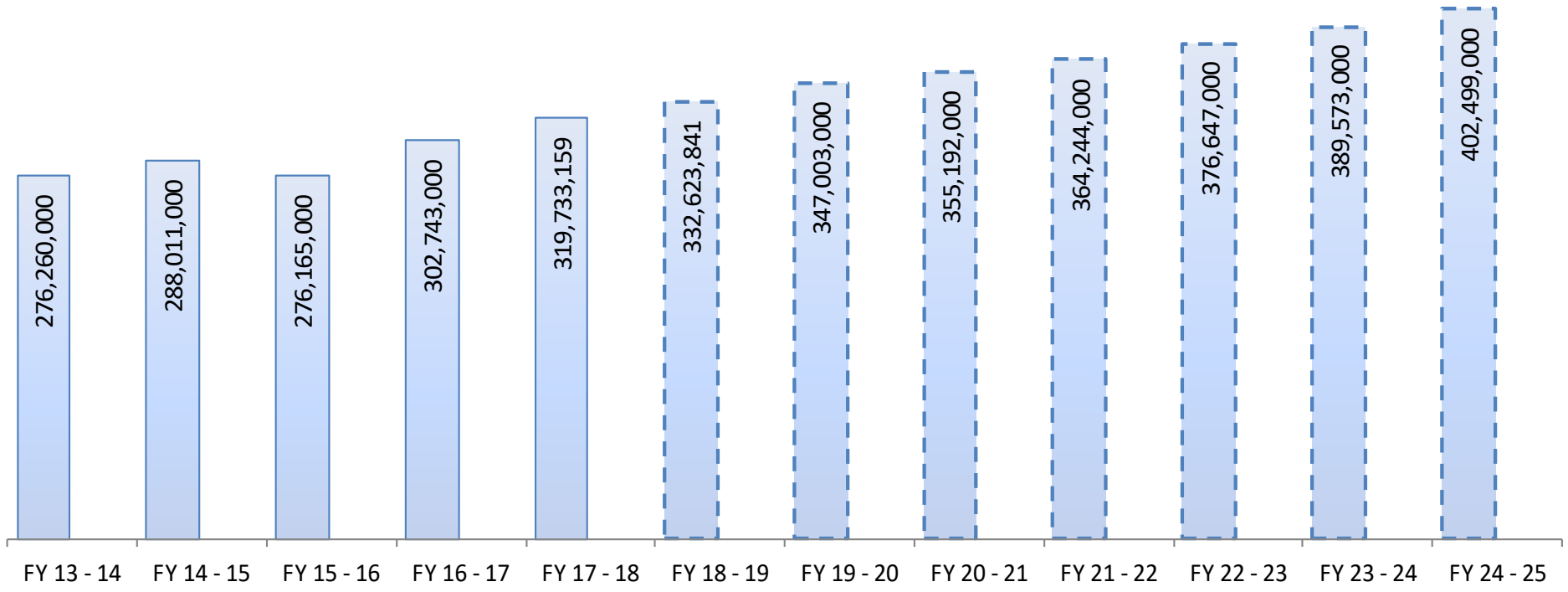
# Employment Compared to Sales Tax Per Capita





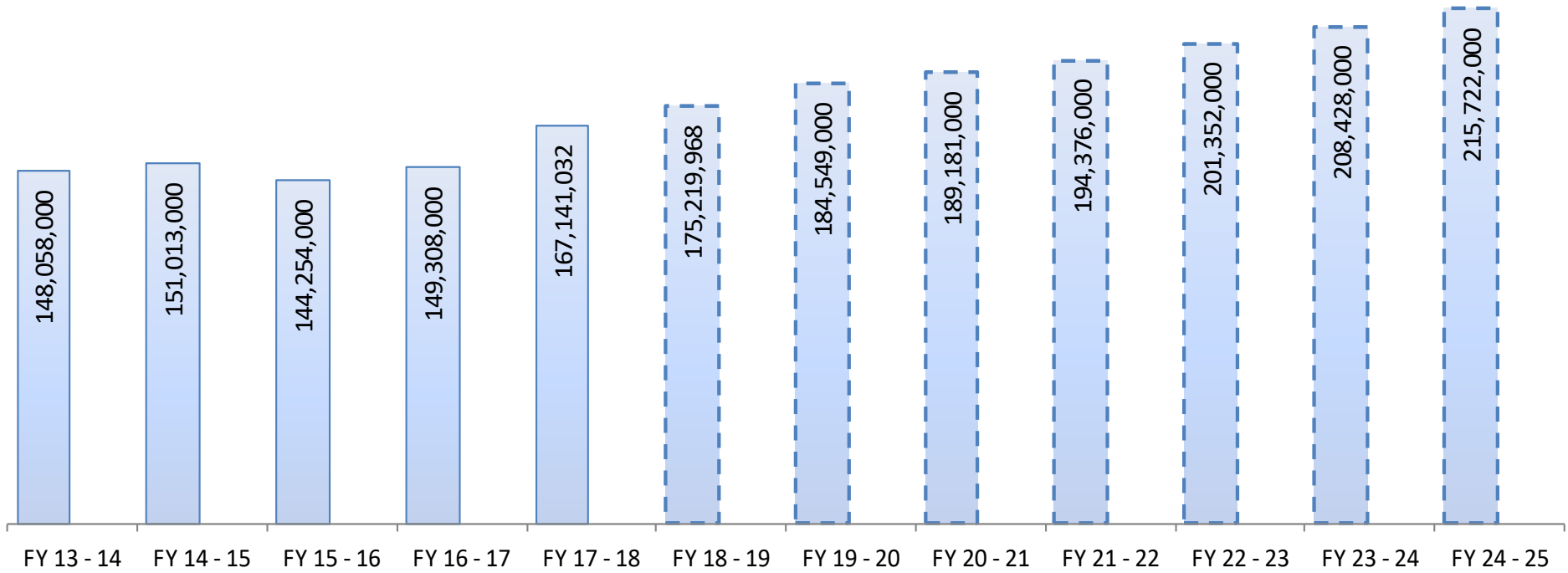
# Measure M2 Forecast Projections

M - 2	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25
	319,733,159	332,623,841	347,003,000	355,192,000	364,244,000	376,647,000	389,573,000	402,499,000
	4.7%	4.0%	4.3%	2.4%	2.5%	3.4%	3.4%	3.3%



# TDA (LTF) Forecast Projection

County Transportation	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25
	167,141,032	175,219,968	184,549,000	189,181,000	194,376,000	201,352,000	208,428,000	215,722,000
	5.2%	4.8%	5.3%	2.5%	2.7%	3.6%	3.5%	3.5%



- **Wayfair – effective April 1, 2019**
  - [\$3.5M TDA & \$5.3M for M2] added 1.6% to growth in FY 19-20
- **AB 147 – effective October 1, 2019**
  - Increases out-of-state threshold reporting requirements from \$100K to \$500K
  - Applies to ‘marketplace facilitators’
- **CDTFA implementation of Wayfair**



### **Committee Members Present**

Michael Hennessey, Chairman  
Andrew Do  
Gene Hernandez  
Steve Jones  
Michelle Steel  
Donald P. Wagner

### **Staff Present**

Darrell E. Johnson, Chief Executive Officer  
Ken Phipps, Deputy Chief Executive Officer  
Laurena Weinert, Clerk of the Board  
Gina Ramirez, Deputy Clerk of the Board  
James Donich, General Counsel  
OCTA Staff and Members of the General Public

### **Committee Members Absent**

Richard Murphy, Vice Chairman

## **Call to Order**

The April 24, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

## **Pledge of Allegiance**

Director Hernandez led in the Pledge of Allegiance.

### **1. Public Comments**

No public comments were received.

## **Special Calendar**

### **2. Proposed Fiscal Year 2019-20 (FY20) Southern California Regional Rail Authority Budget**

Andrew Oftelie, Chief Financial Officer, provided opening comments and introduced Ronnie Campbell, Chief Financial Officer (CFO), from Southern California Regional Rail Authority (Metrolink).

Mr. Campbell provided a PowerPoint presentation for this item as follows:

- FY20 Budget Priorities;
- FY20 New Service for the 91/Perris Valley Line;
- FY20 New Service for the Orange County Line;
- Revenue Allocation by Member Agency;
- FY20 Proposed Expenditures;
- Expense Allocation by Member Agency;
- Subsidy by Member Agency;
- FY20 Proposed Rehabilitation Budget;
- FY20 Proposed New Capital Budget; and
- Timeline-Next Steps.



**2. (Continued)**

Mr. Campbell noted that Stephanie Wiggins, the new Chief Executive Officer (CEO), for Metrolink will attend the Orange County Transportation Authority (OCTA) Board of Directors meeting on May 13, 2019.

A discussion ensued between Metrolink staff and the Committee regarding:

- Tier 4 locomotives roll-out delays;
- Input from member agencies on the proposed rehabilitation budget;
- Proposed new capital budget and the Southern California Optimized Rail Expansion (SCORE) grant being tracked as a separate item from the capital budget; and
- Resolve for the ticket media issue between the Los Angeles County Metropolitan Transportation Authority and the OCTA.

Committee Chairman Hennessey requested that Metrolink staff return with an update on the Tier 4 locomotives roll-out at a future Finance and Administration (F&A) Committee meeting.

Mr. Campbell acknowledged Committee Chairman Hennessey's request to return and provide an update at a future Finance and Administration Committee meeting.

Committee Chairman Hennessey inquired on the Comprehensive Annual Financial Report for Metrolink.

Mr. Oftelie stated, that in the past, there were some issues with the accuracy and timeliness of receiving reports from Metrolink staff. He stated this issue has been corrected and acknowledged that Metrolink staff have been responsive and thanked them for their timeliness in providing the year-end reconciliation.

**Consent Calendar (Items 3 through 12)**

**3. Approval of Minutes**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of April 10, 2019.

Director Wagner abstained from voting on this item, due to not attending the meeting.



**4. Mobile Ticketing Operations, Internal Audit Report No. 19-505**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to direct staff to implement two recommendations provided in Mobile Ticketing Operations, Internal Audit Report No. 19-505.

**5. Fiscal Year 2018-19 Internal Audit Plan, Third Quarter Update**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan as an information item.

**6. Recruitment and Employment Audit**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to direct staff to implement three recommendations provided in Recruitment and Employment, Internal Audit Report No. 19-503.

**7. Local Agency Investment Fund - March 2019**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to receive and file as an information item.

**8. Orange County Treasurer's Management Report - March 2019**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to receive and file as an information item.

**9. Third Quarter Fiscal Year 2018-19 Procurement Status Report**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to receive and file as an information item.

**10. Agreement for Magnetic Bus Passes**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Blanket Purchase Order No. C-9-1017 between the Orange County Transportation Authority and Electronic Data Magnetics, Inc., in the amount of \$414,906, to provide magnetic bus passes from July 1, 2019 through June 30, 2023.



**11. Approval of Fiscal Year 2019-20 Local Transportation Fund Claim for Public Transportation and Community Transit Services**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to:

- A. Approve the Orange County Transit District Fiscal Year 2019-20 Local Transportation Fund Claim for public transportation services in the amount of \$164,730,028, and for community transit services in the amount of \$8,733,198, for a total claim amount of \$173,463,226.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

**12. Approval of the Fiscal Year 2019-20 Local Transportation Fund Claim for Laguna Beach Public Transportation Services**

A motion was made by Director Hernandez, seconded by Director Do, and declared passed by those present, to:

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2019-20 Local Transportation Fund Claim for public transportation services in the amount of \$1,200,732.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

**Regular Calendar**

**13. Orange County Transportation Authority Fiscal Year 2019-20 Budget Workshop**

Andy Oftelie, CFO, provided opening comments and introduced Victor Velasquez, Department Manager of Financial Planning and Analysis, who presented a PowerPoint on the following:

- Budget Themes;
- Budget Overview;
- Budget Sources and Uses;
- Total Budget by Program;
- Staffing Levels; and
- Next Steps.



**13. (Continued)**

Mr. Velasquez reported staff will conduct an informational budget workshop for the OCTA Board of Directors (Board) at the May 13, 2019, Board meeting. He stated that a public hearing for the budget is scheduled for June 10, 2019, Board meeting, after which staff anticipates seeking Board approval of the budget.

In addition, Mr. Velasquez announced that OCTA's budget staff would be available to meet one-on-one with any Committee Members regarding budget questions.

No action was taken on this receive and file information item.

**14. Orange County Transportation Authority Investment and Debt Programs Report - March 2019**

Committee Chairman Hennessey opened that he requested this item return to the Finance and Administration Committee.

Andrew Oftelie, CFO, provided background on the California Government Code process and overview on the following reports:

- Local Agency Investment Fund;
- Orange County Treasurer's Management Report; and
- Investment and Debt Programs Report.

Sean Murdock, Director of Finance and Administration, provided the following overview in Attachment A of the Staff Report:

- Investment Profile;
- Short-Term Portfolio \$1.50 Billion, Part 1 and 2; and
- Short-Term Portfolio Maturity Schedule.

Director Hernandez inquired on the Bank of Nova Scotia and the guaranteed investment contract.

Mr. Murdock responded this bank is where the Measure M2 bond proceeds are invested and provided background on the competitive procurement process. He also stated the guaranteed investment yield is 3.14 percent.





**14. (Continued)**

A discussion ensued regarding original cost value, out of state investment bonds, updating the OCTA investment policy, and how this information should be reviewed by the F&A Committee.

Darrell E. Johnson, CEO, stated that the goal is for the Committee to understand the portfolio.

Committee Chairman Hennessey inquired on an audit of the investment portfolio.

Janet Sutter, Executive Director of Internal Audit, responded that as part of the Internal Audit Plan the compliance, controls, and reporting of the investments are reviewed every six months. In addition, she stated that OCTA's independent accountants apply procedures to the investments report at the year end.

Mr. Murdock also referenced the following topics in Attachment A of the Staff Report as follows:

- Short-Term Portfolio;
- Short-Term Portfolio Performance;
- Comparative Yield Performance;
- Liquid Funds Portfolio;
- Liquid Portfolio;
- Liquid Portfolio Performance;
- Investment Policy Compliance;
- Investment Allocation;
- Negative Credit Watch; and
- Total Outstanding Debt.

Committee Chairman Hennessey requested that staff make the graph size larger on Page 8, in Attachment A of the Staff Report.

Committee Chairman Hennessey and Director Hernandez requested staff provide a sample "dash board" report on compliance by comparison.

Committee Chairman Hennessey suggested omitting the County report since it is duplicated in another report.

Mr. Oftelie acknowledged the Committee's comments and suggestions and will incorporate the information into a sample report.



**14. (Continued)**

Committee Chairman Hennessey requested that staff have the report reviewed by Ms. Sutter and return to a future Finance and Administration Committee meeting with a sample.

No action was taken on this receive and file information item.

**Discussion Items**

**15. Chief Executive Officer's Report**

Mr. Johnson, CEO, reported on the following:

- Earlier this morning, Congressman Harley Rouda hosted a panel discussion on infrastructure in Fountain Valley, where he participated in the discussion along with various city and county officials as well as representatives from local water district boards.
- He shared with the group in Fountain Valley, some of OCTA's concerns regarding the uncertainty of federal transportation funding. He also provided feedback on OCTA's experience obtaining a Transportation Infrastructure Finance and Innovation Act loan for the Interstate 405 Improvement Project along with some of our recommendations to improve and streamline that process.
- On Sunday, April 28<sup>th</sup> at 9:00 a.m., OCTA will host an equestrian ride at the Trabuco Rose Preserve in Trabuco Canyon to give the horse-riding community and opportunity to view that open space.

**16. Committee Members' Reports**

Director Hernandez inquired on the upcoming OCTA Bike Rally.

Mr. Johnson, CEO, responded the OCTA Bike Rally will be held on May 16<sup>th</sup>, and additional information will be provided to the Committee members.

**17. Closed Session**

There were no Closed Session items scheduled.



**18. Adjournment**

The meeting adjourned at 11:32 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, May 22, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

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Michael Hennessey  
Chairman

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Gina Ramirez  
Deputy Clerk of the Board



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Triennial Performance Audits

### **Overview**

Triennial performance audits have been conducted of the Orange County Transportation Authority, the Orange County Transit District, and the Laguna Beach Municipal Transit Lines for fiscal years 2015-16 through 2017-18. These triennial performance audits are required by the Transportation Development Act. The audits found all three entities in compliance with applicable sections of the California Public Utilities Code.

### **Recommendations**

- A. Direct staff to implement seven recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of the Orange County Transportation Authority.
- B. Direct staff to monitor implementation of recommendations included in the Fiscal Year 2016-18 Triennial Performance Audit of Laguna Beach Municipal Transit Lines.

### **Background**

The California Public Utilities Code (PUC) requires that all transit operators and regional transportation planning entities (RTPE) have a triennial performance audit conducted of their activities.

A performance audit is a systematic process of evaluating an organization's effectiveness, efficiency, and economy of operation under management control. The objectives of the audit are to provide a means for evaluating an organization's performance and to enhance performance by making

recommendations for improvement. The audit measures performance against acceptable criteria and focuses on management's planning and control system. In addition, the audit evaluates the adequacy of an organization's systems and the degree of compliance with established policies and procedures.

The audit approach consists of an assessment of compliance with PUC requirements, a follow-up review of prior performance audit recommendations, a review of transit operator and RTPE functions, and verification and review of performance indicators and trends.

The audits are conducted in accordance with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September 2008 (third edition)*, published by the California Department of Transportation, and with the efficiency, economy, and program results portion of the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

### ***Discussion***

Performance audits of the Orange County Transportation Authority (OCTA) as the RTPE, and the Orange County Transit District (OCTD) and the Laguna Beach Municipal Transit Lines (LBMTL) as transit operators, were conducted by Kimley Horn and Associates, Inc. (Kimley Horn) and their subcontractor, Michael Baker International.

### **OCTA and OCTD Triennial Performance Audit Results**

The consolidated triennial performance audit of OCTA and OCTD concluded that both operate in compliance with applicable PUC requirements, and that OCTA effectively accomplishes its Transportation Development Act (TDA) responsibilities. Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service. Recommendations and management's responses can be found in Section 6 of the report at Attachment A.

### **LBMTL Triennial Performance Audit Results**

The triennial performance audit of LBMTL concluded that the City of Laguna Beach operated in compliance with PUC requirements, made progress

implementing prior audit recommendations, and has adequate management controls. Kimley Horn provided three recommendations for consideration by LBMTL. The recommendations and management responses can be found in Section 6.2 of the report in Attachment B.

***Summary***

Triennial performance audits were conducted of OCTA as the RTPE for the County of Orange, for OCTD as a transit operator, and for LBMTL as a transit operator, for fiscal years 2015-16 through 2017-18. These triennial performance audits are required by the TDA and California PUC Section 99246.

***Attachments***

- A. FY16-FY18 TDA Performance Audit Orange County Transportation Authority
- B. FY16-FY18 TDA Performance Audit Laguna Beach Municipal Transit Lines

**Prepared by:**



Ricco Bonelli  
Principal Internal Auditor  
714-560-5384

**Approved by:**



Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# FY16-FY18 TDA PERFORMANCE AUDIT

## Orange County Transportation Authority

PREPARED FOR



ORANGE COUNTY TRANSPORTATION AUTHORITY

APRIL 2019 | **FINAL** - VERSION 1

Prepared By:

**Kimley»»Horn**

In association with

Michael Baker International

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# 1. INTRODUCTION

## 1.1. PERFORMANCE AUDIT SCOPE AND METHODOLOGY

Triennial performance audits are a requirement for the continued receipt of State Transportation Development Act (TDA) funds for public transit under California Public Utilities Code (PUC) Section 99246.

This performance audit is administered by the Orange County Transportation Authority (OCTA) and prepared by Kimley-Horn in association with Michael Baker International. This report represents the state-mandated performance audits of OCTA as the Regional Transportation Planning Entity (RTPE) and the Orange County Transit District (OCTD) as the transit operator. The audit covers the period from July 1, 2015 through June 30, 2018 (i.e., FY2016 – FY2018).

TDA performance audits of RTPEs and transit operators include:

- Assessments of compliance with applicable sections of the California PUC
- Reviews of progress to implement prior audit recommendations
- Recommendations of opportunities to improve efficiency and effectiveness.

In addition, RTPE performance audits provide assessments of the efficiency and effectiveness of the agency's regional transportation planning and TDA administration functions. Operator performance audits also review performance trends and functional area performance results. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Extensive background documents and other written information were collected and reviewed, including those listed in **Table 1-1**:

*Table 1-1 – Document Review*

Organization and staffing charts	OCTA Adopted Budgets, FY14-FY19
OCTA Comprehensive Business Plans	CHP Terminal Inspection Certificates
OCTA Strategic Plan	OCTA TDA Guidelines
OCTA website: <a href="http://www.octa.net">http://www.octa.net</a>	OCTA TDA Claim Files, FY16-FY18
Coach operator labor agreements in effect during the audit period	Quarterly Transit Division Performance Measurements Reports
Purchased Transportation Contracts	Data provided by operating units to support specific analyses and functional performance review (customer service, maintenance, operating statistics)
National Transit Database Reports, FY15-FY17	Service maps and brochures
State Controller Reports, FY15-FY17	FY13-FY15 Performance Audit Report and OCTA's response to prior audit recommendations
Comprehensive Annual Financial Reports, FY16-FY18	

The audit team also conducted on-site interviews with OCTA management and staff responsible for administration, management, and operations, including planning and TDA administration functions, transit system functions, and transit support functions. These interviews were conducted in October and November 2018 (October 25-26, October 29-30, November 14) and included the following OCTA staff:

- Chief Executive Officer (CEO)
- Deputy CEO
- Chief Operating Officer
- Communications Manager, Public Information Office
- Department Director, Financial Planning and Analysis
- Director of External Affairs
- Director Strategic Planning
- Director, Finance & Administration
- Executive Director, Capital Programs
- Executive Director, External Affairs
- Executive Director, Finance & Administration
- Executive Director, Human Resources & Organizational Development (HROD)
- Executive Director, Internal Audit
- Executive Director, Planning
- General Manager, Bus Operations
- Manager, Finance and Administration/Revenue Administration
- Manager, Marketing
- Manager, Security and Emergency Preparedness
- Manager, Transit Service Planning
- Principal Financial Analyst, Revenue/Grant Administration
- Section Manager II Finance and Administration, Key Performance Indicators
- Section Manager Operations, Community Transportation Services
- Section Manager, Accounting/Reporting
- Section Manager, Motorist Services
- Section Manager, Vanpool Program

## 1.2. OCTA OVERVIEW

OCTA was established by state law on June 20, 1991 to consolidate the transportation planning and operating agencies within Orange County. Today OCTA serves as both the Regional Transportation Planning Entity and the primary transit service provider for Orange County.

With its creation, the OCTA assumed the responsibilities of several formerly separate agencies: The Orange County Transportation Commission, the Orange County Transit District (OCTD), the Consolidated Transportation Services Agency (CTSA), the Service Authority for Freeway Emergencies (SAFE), the Orange County Local Transportation Authority, and the Orange County Congestion Management Agency.

OCTA works with federal, state, regional and local agencies to plan, fund, implement, and maintain transportation programs and services throughout Orange County. OCTA is responsible for providing coordinated, effective, and accountable multimodal transportation services within Orange County, including countywide bus and demand response services, the 91 Express Lanes, freeway, street and road improvement projects, and motorist aid services. OCTA is an active member of the five agency Southern California Regional Rail Authority (SCRRA), which governs the Metrolink Service. Three lines provide service to a total of 11 stations in Orange County: The Orange County Line, the Inland Empire-Orange County Line, and the 91 Line. OCTA is also responsible for regulating taxi operations.

The remainder of this section provides an overview of OCTA in the context of its regional transportation planning and transit service delivery responsibilities. It also discusses significant initiatives, accomplishments, and challenges of the performance audit period.

### 1.2.1. ORGANIZATION STRUCTURE

OCTA is currently organized in ten divisions that report directly to the Chief Executive Officer. The Chief Executive Officer reports to the OCTA Board of Directors. During the audit period, Operations was consolidated, and minor adjustments were made affecting Finance & Administration, Planning, and the Public Information Office. The current organization is displayed in **Figure 1-1**.

Figure 1-1 – OCTA Organization Chart (as of November 13, 2018)



- The **Chief Executive Office** (CEO) provides management direction to all OCTA divisions and programs and implements the Board of Director’s policy directives.
- The **Clerk of the Board**, which is budgeted in the CEO’s office, is responsible for recording and preserving OCTA’s official and historical records. This office manages the Board and Committee

agenda processes, provides meeting and administrative support to the Board of Directors, and receives and processes all legal documents served on the Authority.

- **Planning Division** provides planning and programming for transportation projects to meet Orange County's mobility needs. Current functions include Measure M2 administration, strategic planning, regional modeling and traffic operations, Geographical Information Systems, transportation planning, and capital programming.
- **Finance & Administration Division** includes the following functions: contracts administration & materials management, accounting and financial reporting, financial planning & analysis, general services, information systems, treasury / public finance, and revenue administration.
- **Operations Division** was recently restructured to include bus operations/maintenance, service planning & customer advocacy, community transportation services, motorist services, contracted services, transit program controls, LOSSAN, OC Streetcar, and rail operations.
- **Public Information Office** oversees media relations, strategic communications, emergency communications, and internal communications. (This division was pulled out from Marketing in 2015).
- **Internal Audit Division** examines and evaluates OCTA's financial, administrative, and operational activities and controls, to assist management staff with their responsibilities for asset and operations control. The Internal Audit Department reports functionally to the Board of Directors, administratively to the CEO (dotted line).
- **Capital Programs Division** ensures that OCTA's highway and rail improvements are delivered consistent with Board direction. This division includes highway programs, rail & facilities engineering, project controls and real property.
- **External Affairs Division** provides communications, marketing, rideshare, media relations, customer relations (including telephone information), and community outreach programs. This division also includes all government relations functions, including outreach, legislative and regulatory tracking, and federal compliance monitoring.
- **Human Resources & Organizational Development Division** is responsible for human resources, labor & employee relations, EEO/affirmative action, learning and development, risk management, and health, safety and environmental compliance.

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### 1.2.2. BOARD OF DIRECTORS

OCTA's 18-member Board of Directors includes 17 voting members: five members of the Orange County Board of Supervisors, ten city members selected by the cities in the supervisorial district they represent, and two public members selected by the other 15 Board members. Board members are elected or appointed to four-year terms. The 18<sup>th</sup> member of the Board is a non-voting representative appointed by the Governor; the District 12 Director of the California Department of Transportation (Caltrans) is the Governor's appointee to the Board of Directors. The full board meets twice per month.

Board members serve on standing committees that reflect OCTA's roles and responsibilities:

- **Executive Committee** monitors overall activities at OCTA, develops policy and strategy recommendations, and reviews policy issues.
- **Finance and Administration Committee** reviews and provides recommendations on financial and administrative matters, including investments, debt financing, financial operations, human resources, risk management, and information systems.

- **Legislative and Communications Committee** evaluates and recommends strategies and action plans to advance OCTA priorities at the local, state, and federal levels of government, and provides guidance on communications, community and customer relations, and marketing activities.
- **Regional Planning and Highways Committee** reviews the planning, programming, and delivery of regional planning and highway programs; provides recommendations on OCTA's compliance with federal, state, and regional planning and programming requirements; and reviews local agency eligibility and compliance with Measure M and Renewed Measure M (M2) safeguards and requirements.
- **Transit Committee** reviews and provides recommendations on bus and commuter rail operations, including ACCESS and other demand response services.

OCTA's Board members represent the Authority on multi-agency advisory committees where OCTA has an interest, including:

- **State Route 91 Advisory Committee**, which also includes a voting representative from the Riverside County Transportation Commission (RCTC) and non-voting members from Caltrans Districts 8 and 12 and the San Bernardino County Transportation Authority (SBCTA). This committee was created by the state enabling legislation for OCTA's purchase of the State Route 91 toll road.

Board members also represent OCTA and its interests on regional organizations and committees, including the Orange County Council of Governments, California Association of Councils of Government, Southern California Regional Rail Authority, Los Angeles – San Diego – San Luis Obispo Rail Corridor (LOSSAN Corridor) Agency, the Southern California Association of Governments (SCAG), and the South Coast Air Quality Management District.

Support is also provided to OCTA by other committees at multiple levels. There are legislatively-mandated standing citizens committees. The standing committees are:

- The **Citizens Advisory Committee**, which helps to examine traffic solutions and provide input to OCTA's transportation studies, in part by identifying ways to obtain public input on specific issues and serving as a liaison between the public and OCTA. The 34 members of the CAC are selected by OCTA's Board of Directors to represent a broad spectrum of interests from all geographic areas of the county. The CAC also has a Bicycle Program subcommittee.
- The **Special Needs Advisory Committee**, which advises OCTA about issues related to fixed route and demand response services for customers with special transportation needs. SNAC also recommends mechanisms for obtaining input on issues from disabled and senior service users, communicates with care providers and agency clients regarding service-related information, and assists with special needs service evaluations. The 34 members represent individuals with disabilities and senior citizens.
- **Taxpayers Oversight Committee**, which monitors the use of M2 funds and ensures that M2 revenues are spent on voter approved projects.

Then, support is provided by project-specific citizen input committees (e.g., two M2-related committees: The Environmental Cleanup Allocation Committee and the Environmental Mitigation and Resource Protection Oversight Committee). Finally, support is also provided by the Technical Advisory Committee (TAC) and its Transportation Steering Committee (TSC). The TAC has 35 members, one representative from each of the cities in Orange County and one from the County of Orange. They provide staff with technical advice on issues primarily related to M2 competitive grants to improve capacity on local streets and roads. The TSC has nine voting members.



OCTA serves as the managing agency for **LOSSAN**. LOSSAN is a joint powers authority with the aim to increase ridership, revenue, capacity, reliability, coordination and safety on the coastal rail line.

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### 1.2.3. OCTA AS THE REGIONAL TRANSPORTATION PLANNING ENTITY

OCTA sets programming policies for federal, state and local funding sources for eligible transit, highway, pedestrian, bicycle and other transportation projects and administers Calls for Projects to allocate funds to local agencies for projects that are consistent with public mobility needs and regulatory guidelines:

- Federal sources include the FAST Act (formerly MAP-21) and FTA operating and capital assistance grants.
- State sources include the State Transportation Improvement Program (STIP), Proposition 1B (expired but funds remaining), State Highway Operation and Protection Program (SHOPP), SB 1 TDA (all articles), and cap and trade funding.
- The most significant source of local funding is now Measure M2, which provides funding for transit, freeways, and streets, as well as environmental clean-up.
- OCTA also runs the 91 Toll road, therefore administers the associated toll revenues.

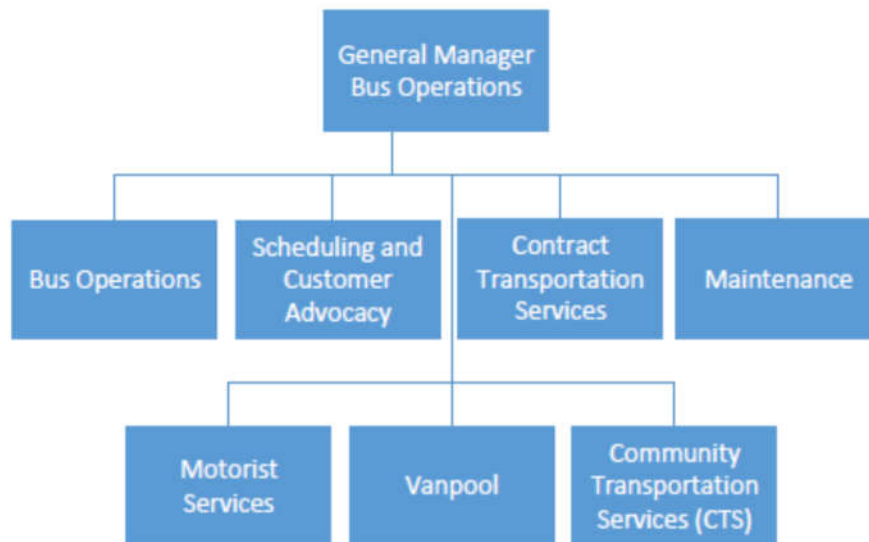
As the RTPE, OCTA is responsible for regional transportation planning, administering the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA or STAF), working with and allocating those funds to eligible claimants, and handling grant applications and managing approved grants. OCTA also provides transportation planning and regional coordination services for Orange County, and plans, evaluates, and markets alternative transportation programs.

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### 1.2.4. OCTA AS THE REGIONAL TRANSIT OPERATOR

Bus Operations consists of seven main functions responsible for operations and maintenance of fixed route (both directly operated and contracted) and demand response services. Bus Operations currently has 150 positions including 11 open positions. The organization chart features 14 direct reports to the General Manager, Bus Operations, including one open position. The major functions are illustrated in **Figure 1-2** below.

Figure 1-2 – Bus Operations Organization Chart (Simplified)



## 1.3.AUDIT PERIOD ACCOMPLISHMENTS AND CHALLENGES

### 1.3.1. ACCOMPLISHMENTS

During the audit period, accomplishments were made in the following areas:

- Ridership stabilization and service reallocation
- Financial sustainability
- Organization changes
- Technology
- Streetcar program.

These categories are mutually self-supporting, and they reinforce OCTA's overall goals as spelled out in the Comprehensive Business Plan (CBP) – a 20-year planning document updated every two years and last submitted to the Board in September 2018.

**Ridership Stabilization and Service Reallocation.** Systemwide ridership for OCTA fell 16 percent from 48.7 million passengers in FY15 to 40.9 million in FY18 (Source: National Transit Database). During this period, OCTA focused on understanding the causes of the ridership drop, putting in place strategies and programs to stabilize ridership, ultimately reallocating some service in a financially sustainable way. It is important to note that OCTA did not cut service.

The most visible of these programs was the 2016 Bus Service Plan (OC Bus 360 Program), planning for which started in 2015. There was a realization that perhaps the product OCTA was offering didn't fit all transit markets anymore and needed to be rethought. Bus ridership visibility was taken to a new level during the audit period with the inclusion of ridership as a weekly feature in the CEO's executive staff meetings.

In addition, the productivity of each route was analyzed and reported on at the Board level, quarter over quarter, to be able to track route level productivity, and to gauge the efficacy of service tweaks. Two rounds of reallocation occurred, the first in 2016, the other in 2017-18. Service capacity was primarily redirected from lower performing routes to areas that exhibited higher demand (broadly speaking, from parts of south county to areas more central to the County).

OCTA also developed a Transit Master Plan called Transit Vision, issued in February 2018. The document outlined 11 transit corridors where the ultimate technology – express bus, BRT, light rail – is yet to be determined. Some are already undergoing planning studies, such as the South Harbor Boulevard corridor (completed), and the Bristol Street corridor (starting).

**Financial Sustainability.** During the audit period OCTA increased the balance of contracted fixed route operations to 40 percent, the maximum allowed under the labor contract. The contracted service being more cost efficient than the directly operated service, all else being equal, maximizing the 40 percent provides higher financial sustainability for OCTA.

Another major policy change OCTA made during FY18 was the decision to increase the useful life of fixed route buses from 14 to 18 years. This came about during the completion of OCTA's first Transit Asset Management plan, also an accomplishment for the audit period. The life extension is a significant policy decision for OCTA. Running the buses that much longer is somewhat unexplored territory – several Canadian operators do it, but few American agencies do. OCTA is considering what will be needed, from a maintenance perspective, to run buses for the full 18-year period (i.e., when and how many “mid-life” overhauls to carry out). The expected advantage of a longer useful life is mainly financial; instead of setting aside 1/14th of the bus value each year, setting aside only 1/18th of the bus value will increase the amount that can go to operations.

A smaller (but related) accomplishment is OCTA's handling of its non-revenue vehicle fleet. OCTA recently put in place a policy that sets criteria on how many non-revenue vehicles they will have. In effect, the study calculated that there were 47 excess non-revenue vehicles in inventory. By instituting a motor pool, where staff check out a vehicle each time one is needed, more efficient utilization can occur, reducing the overall revenue fleet size. The associated savings will begin to accrue after 2018.

OCTA has also approached local colleges for partnerships. A pilot was started with Santa Ana College in 2017 to get college students to ride the bus with the mobile ticketing app and their college ID, paid for through their student fees. The revenue neutral approach assumes that non-riding students subsidize riding students, since all students are charged whether they ride or not. Early indications are that existing riders are riding more frequently. OCTA also extended the program to Santiago Canyon College. OCTA will continue to monitor success of this program and seek to extend it to more colleges (e.g., Fullerton).

Lastly, the defeat of Proposition 6 in California in the November 2018 mid-term elections is good news in that SB 1 funds will continue to flow. It also means that a potential 11 percent service cut associated with the measure was avoided.

**Organization Changes.** The most visible organization change during the last year of audit period was the establishment of a Chief Operating Officer (COO) position. The COO oversees Bus Operations, the LOSSAN functions, and the embryonic organization for the new OC Streetcar operation. It's early to evaluate the efficacy of this change but many interviewees commented that now that OCTA is becoming

multi-modal it makes sense to have all the modes under one operating umbrella. More subtle organization changes occurred during the audit period within Finance and Administration. Specifically, there was a reallocation of revenue work from Financial Planning & Analysis and Accounting to Revenue Administration for grant administration and TDA. Revenue Administration has also begun to manage fare policy. The Executive Grants Committee (EGC) was restructured and enlarged during the audit period, and as a result has become much more effective than in the past according to multiple interviewees.

**Technology.** During the audit period, OCTA's major technology accomplishment was the rollout of mobile ticketing. This service is meant to add convenience, retain existing customers and potentially open new markets, while reducing revenue collection costs. The intent is to ultimately go a full account-based system (i.e., each person would have an account and could manage their account from a computer, tablet or smart phone instead of having to tag their smart card at OCTA facilities). Now the buses are equipped with readers; in the past OCTA operators conducted a visual check. At the end of the audit period, OCTA estimated the market penetration for mobile ticketing to be about ten percent of fare revenue.

Less visible than the mobile ticketing rollout was the \$1 million upgrade to the Ellipse system. Ellipse is the inventory system of record for asset management. OneSolution (still known to some as IFAS) is the current system of record for accounting purposes. These systems are partially integrated, which allows Ellipse data to flow into OneSolution. The upgrade was intended to allow for data integration from OneSolution into Ellipse. Revenue and non-revenue vehicle asset data is robust and well tracked within Ellipse. During the audit period, Facilities data was tracked at the "primary" asset level (i.e. building level). In early 2018, OCTA hired a facilities planner to populate additional "secondary" facilities data into Ellipse. OCTA systems track lifecycle costs, but still do not data-mine lifecycle costs for decision making purposes.

**Streetcar Program.** While ground was not broken during the audit period, the OC Streetcar is considered a major accomplishment moving forward. OCTA has already hired staff and made organizational changes to host the streetcar operation under its new Chief Operations Officer. Award of the construction contract was being planned in winter 2018/19. The Full Funding Grant Agreement (FFGA) was signed by FTA and OCTA on November 30, 2018. A tentative date for revenue operations has been set to 2022.

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### 1.3.2. CHALLENGES

The challenges facing OCTA during the past three years can be summarized by the following:

- Declining Ridership
- Funding Limitations
- Recruiting Challenges
- Regulatory Changes
- Long Term Trends.

**Declining Ridership.** The main challenge during the audit period has been the declining ridership, despite what has been a growing economy for Orange County. The causes of the decline have been debated and analyzed at length. They include Assembly Bill 360 which authorized illegal immigrants to obtain California Drivers licenses; the cost of real estate and transit dependents leaving the County; the emergence of Transportation Network Companies; and other factors. Although the trend appears to be bottoming out in FY18, the first two years of the audit period, FY16 and FY17, saw significant declines with between 3.5 and

4 million fewer passengers, each year. The fact that ridership declines are a statewide and a national phenomenon over recent years is not much consolation. The basic implications for OCTA are unchanged: more unproductive routes, lost fare revenues, and greater competition for fewer discretionary dollars to fill the revenue gap. The much talked-about OC Bus 360 Program has already borne fruit in stemming the ridership losses and several pilots are now in place. As market forces continue to shape transit ridership in Orange County in the years ahead, close attention to ridership trends will be necessary.

**Funding Limitations.** As previously mentioned, OCTA's fare revenue is directly tied to ridership. Systemwide farebox revenues declined from \$54.9 million in FY15 to \$44.6 million in FY18, an 18.7% decline. This was the biggest challenge over the audit period. In April 2017, Senate Bill 1 (SB1) was implemented in California, providing \$7.5 billion for transit operations and transit capital expenditures around the state. There was a real possibility that the bill would be repealed by Proposition 6 in the 2018 mid-term elections, but Proposition 6 failed by a 45 to 55 margin. This means the \$16.3 million SB1 contributes toward OCTA bus operations each year will continue for the foreseeable future.

The last funding challenge is complicated and longer term; it is represented by the erosion of Local Transportation Fund (LTF) sales tax. LTF is a huge contributor to bus operations revenues, funding about half the operating costs for revenue service. As a point-of-sale tax, LTF sales tax revenues have fallen short of expectations. This is attributed to the fact that online purchases are sold and shipped from points outside Orange County, such as Riverside and San Bernardino Counties. Because sales from the internet have increased so much (and brick and mortar store sales have decreased accordingly); the problem is growing. OCTA is proactive about building awareness regarding the issue and has already modified its budgeting approach for forecasting LTF sales tax growth. OCTA sponsored a legislative audit request, which led to a State Auditor recommendation in 2017 and introduction of legislation in 2018. OCTA continues to lead efforts to continue this discussion and advocate for policy changes moving forward.

**Recruiting Challenges.** A significant challenge over the course of the audit period has been recruiting operators, and to a lesser extent, for mechanics and service workers. This is not a new issue; however, this has been felt more keenly with the vibrant economy and low unemployment of the last several years. The biggest challenge involves bus operator staffing which has about 60 vacancies currently (and about 40 on the contracted services side). Turnover is about the same as in the past, but recruiting challenges have resulted in: (1) a "permanent shortfall" of drivers; (2) regularly scheduled overtime increases to make up the difference; (3) an approaching saturation point for drivers wanting overtime. At the same time, OCTA has observed a greying of its operator workforce – over one third of operators are eligible for retirement, and there are several operators in their 70's. On the maintenance side the recruiting problem is not as severe, and management has used scheduled overtime to address the shortfall just as for bus operations.

**Regulatory Changes.** The State, through the California Air Resources Board (CARB), in 2018 adopted the Innovative Clean Transit regulation, which requires transit agencies in the State to convert to zero-emission buses by 2040. In order to achieve this goal, the regulation includes a 25 percent zero emissions bus purchase requirement in 2023, with increasing purchase requirements in future years, culminating in a 100 percent zero emissions purchase requirement by 2029. Currently two technologies meet the zero-emission bus requirements: hydrogen fuel cell and battery electric. OCTA has not yet chosen a technology pathway, and instead is currently exploring both technologies. In the last five years, OCTA has actively been implementing its Revenue Fleet Plan which calls for migration from Diesel and Liquefied Natural Gas (LNG) to compressed natural gas (CNG). In FY16, the first year of the audit period, the last of the diesel buses

were retired and there were 72 of the 2300 series 40-foot LNG buses from 2002 left. By the second year of the audit period, FY17, OCTA's fleet was 100 percent CNG buses (including all contracted fixed route service). With respect to moving towards 100 percent zero emissions, the challenge lies in making the best choice for OCTA in terms of technology. Implementation of a new bus technology has enormous cost and staffing impacts, ranging from fueling equipment, facilities, and potentially more buses than currently required to cover the range/service requirements.

**Long Term Trends.** Some trends have become challenges during this audit period and need to be examined in the context of future audit periods. Some of these trends are beyond OCTA's control, nevertheless they impact efficiency and effectiveness of operations. They include: land use and demographics, working patterns, auto ownership, attractiveness of transit, transit employee hiring and retention, maintenance challenges for vehicles beyond 15 years old, and the stability of funding sources.

## 1.4. OUTLINE

The rest of the performance audit report is organized into five sections:

- **Section 2.** Compliance Review assesses OCTA's compliance with specific PUC requirements and summarizes the status of prior audit recommendations.
- **Section 3.** Management Control and Reporting examines the management controls and performance monitoring systems in place to help reach OCTA's goals and objectives.
- **Section 4.** RTPE Functional Review addresses the RTPE activities performed by OCTA.
- **Section 5.** Operations Performance Trends and Functional Review examines systemwide and modal performance trends, including TDA key performance indicators as well as major functional areas: transportation, maintenance, and administration.
- **Section 6.** Recommendations discusses and recommends opportunities and potential implementation strategies for OCTA to improve compliance with TDA requirements or strengthen performance.

## 2. COMPLIANCE REVIEW

### 2.1. OCTA COMPLIANCE REVIEW

The results of the compliance review of OCTA as a Regional Transportation Planning Entity are summarized in the **Table 2-1**.

*Table 2-1 – Compliance Matrix of OCTA as the Regional Transportation Planning Entity*

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
PUC Section 99231	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those LTF monies apportioned to that area.	<p><b>Fully Compliant.</b> OCTA's updated "TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims" (December 2017) includes specific provisions stating that "The TPA may not authorize more payments from the LTF (or the STA) to any claimant than that claimant is eligible to receive. The annual LTF claim form must be filed in such a manner so that the claimant does not request more funds to be allocated to it than what it is eligible to receive."</p> <p>OCTD must file a claim and is eligible to receive 100% of LTF funding, while meeting the 20% farebox recovery ratio. Laguna Beach Municipal Transit Line (LBMTL) must file its annual LTF claim and meet the 50% expenditure limitation, which may be less than its apportionment. Laguna Beach may also receive up to 100% LTF funding if it meets the 20% farebox recovery ratio.</p> <p>Finance and Administration Department personnel, who are responsible for TDA, review the claims and ensure that allocations do not exceed amounts authorized through current year apportionments and prior year capital reserves. Within the Department, there are several steps in the claims approval process, including initial review by the assigned Financial Analyst in the Revenue Administration Division, followed by initial approval by the Grants and Revenue Manager and the Department Manager of Revenue Administration. The claims are then reviewed by the Director of Finance &amp; Administration with final approval by the Executive Director of Finance &amp; Administration. Finance &amp; Administration staff administer monthly</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		revenue distributions and allocations by area of apportionment and claimant.
PUC Sections 99233 and 99234	The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (i.e., Article 3).	<p><b>Fully Compliant.</b> As described in OCTA's updated TDA Guidelines, no LTF funds are allocated for bicycle and pedestrian facilities (BPF) in Orange County under Article 3. OCTA has the discretion of lowering or eliminating the percent allocable to any claimant if it finds that the funds could be used to a better purpose in meeting the public transit needs of the county. With this discretion, OCTA has used the allowance by state law to redirect Article 3 funding for bicycle and pedestrian projects to a better purpose, to meet public transit needs in the County. A policy was approved by the Board in June 2009 that prioritizes Article 3 funds for transit operations.</p> <p>Despite the prioritization of Article 3 pedestrian and bicycle funds towards transit, the updated guidelines added new language consistent with recent state law (SB 508) with respect to a city or county expending up to 5% of its bicycle and pedestrian allocation for both bicycle and pedestrian safety education programs.</p>



Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Sections 99238 and 99238.5</p>	<p>The RTPE has established a Social Services Transportation Advisory Council (SSTAC). The RTPE must ensure that there is a citizen participation process, which includes at least an annual public hearing.</p>	<p><b>Not Applicable.</b> PUC 99238 specifies that a SSTAC is not required in a county that had a population of 500,000 or more as of the 1970 federal decennial census. However, in lieu of an SSTAC, OCTA sponsors a citizen-based Special Needs Advisory Committee (SNAC). The 34-member committee advises OCTA on special needs transit service for persons with disabilities. SNAC members are appointed by the Board of Directors and serve three-year terms. Meetings are held quarterly on the fourth Tuesday of the month. Information and resources about the SNAC including a PDF recruitment application is available on the OCTA website.</p> <p>A separate Citizens Advisory Committee (CAC) of OCTA actively participates in helping examine traffic solutions, providing input to OCTA’s transportation studies and communicating with their constituencies. The CAC’s scope of responsibility is generally broader than the SNAC on transportation issues.</p>
<p>PUC Section 99244</p>	<p>The RTPE has annually identified, analyzed, and recommended potential productivity improvements, which could lower the operating cost of those operators which operate at least 50% of their vehicle service miles within the RTPE’s jurisdiction. Recommendations include, but are not limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> <li>• A committee to provide advice on productivity improvements may be formed</li> <li>• The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation.</li> </ul>	<p><b>Fully Compliant.</b> OCTA has taken multiple actions to identify, analyze and recommend potential productivity improvements. OCTA’s TDA Guidelines include two requirements for the operators in the submittal of annual TDA claims. These requirements help enable OCTA’s compliance with this statute provision. One is that the operators must submit 12 transit performance measures, by mode, for a running three-year period with their TDA claims. These data, shown below, are available to monitor each operator’s performance trends.</p> <ul style="list-style-type: none"> <li>• vehicle service hours</li> <li>• vehicle service miles</li> <li>• passengers</li> <li>• operating cost</li> <li>• fare revenues</li> <li>• operating cost per passenger</li> <li>• operating cost per vehicle service hour</li> <li>• passengers per vehicle service hour</li> <li>• passengers per vehicle service mile</li> <li>• farebox recovery ratio</li> <li>• vehicle service hours per employee</li> </ul>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		<ul style="list-style-type: none"> <li>• number of full-time employee equivalents</li> </ul> <p>These performance indicators are necessary for OCTA to carry out its responsibilities in determining the efficiency, effectiveness, productivity and general operating trends of operators. Explanations of major changes in the indicators are provided by each operator in its claim.</p> <p>In addition, the OCTA TDA Guidelines require the claimants to report on the status of prior TDA performance audit recommendations. According to the prior TDA performance audit covering FYs 2013-15, OCTA began requiring in each operator's claim a description of actions taken to implement each prior recommendation and current status. OCTA requested this information from the City of Laguna Beach and OCTD in the LTF claim form.</p> <p>Beyond reporting requirements in the TDA Guidelines, OCTA engages in other activities to improve operator efficiency. OCTA's Comprehensive Business Plan establishes bus service performance targets to manage costs and to improve the efficiency and effectiveness of the bus service. These targets help staff to better understand business practices and identify areas that need improvement and have led to the development of the quarterly Performance Measurement Reports that are prepared by each division and presented to the Board of Directors. This includes a Transit Division performance report.</p> <p>As means to incorporate public participation in the review and delivery of transportation, two OCTA standing citizens committees provide input on transit issues: the Special Needs Advisory Committee advises on transit and demand response services, and the Citizens Advisory Committee meets on various transportation issues including transit and highways. OCTA staff also support the Transit Committee comprising OCTA board members that advises the full Board on transit issues.</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		<p>By far the largest endeavor undertaken during this audit period by OCTA to improve transit is OC Bus 360°, an initiative launched in 2016 to improve bus service and increase the efficiency of bus travel in response to shifting travel patterns and declining ridership.</p> <p>Efforts include implementing new and faster bus routes, reallocating bus service to areas with higher demand and rolling out new technology, including mobile ticketing and real-time bus arrival information. OCTA also launched OC Flex, a one-year micro transit pilot program, in two areas of the county.</p>
PUC Section 99245	<p>The RTPE has ensured that all claimants to whom it allocated TDA funds submit to it and to the State Controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year (i.e., by December 30. However, the responsible entity may grant an extension of up to 90 days, as it deems necessary).</p>	<p><b>Fully Compliant.</b> OCTA provided letters (via email) to the State Controller to verify submittal of annual certified fiscal and compliance audits for claimants of Article 4 and Article 4.5 funds. Each letter was submitted within the 180-day timeline, or with the 90-day time extension, and accompanied by the audit reports.</p> <p>FY16: submitted on Dec. 22, 2016  FY17: submitted on Dec. 20, 2017  FY18: submitted on Feb. 1, 2019</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
PUC Sections 99246 and 99248	<p>The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennial). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator’s TDA money, and to the RTPE within 12 months after the end of the triennium. If an operator’s audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to the operator for that or subsequent fiscal years until the audit was transmitted.</p>	<p><b>Fully Compliant.</b> The FY13-FY15 Triennial Performance Audits were conducted by an independent entity. They were completed in April 2016, within 12 months after the end of the audit period.</p> <p>The FY16-FY18 Triennial Performance Audits are conducted by an independent entity and completed within 12 months after the end of the audit period.</p>
PUC Section 99246(c)	<p>The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director that the performance audits of operators located under its jurisdiction have been completed.</p>	<p><b>Fully Compliant.</b> OCTA Internal Audit Department provided a transmittal letter (via email) to the Caltrans Division Chief, Mass Transportation, to verify that the OCTA audit was submitted and the operator audits were completed. The email attached the performance audits of OCTA, OCTD, and Laguna Beach Transit.</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Section 99246(d)</p>	<p>The performance audit of the operator providing public transportation services shall include a verification of the operator’s cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247.</p> <p>The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.</p>	<p><b>Fully Compliant.</b> The FY16-FY18 Triennial Performance Audits of Orange County Transit District (OCTD) and Laguna Beach Municipal Transit Lines (LBMTL) include the required five key performance measures.</p> <p>OCTD takes a prescribed approach to verifying the collection and reporting of vehicle service hours and miles.</p> <ul style="list-style-type: none"> <li>• Scheduled hours and miles <ul style="list-style-type: none"> <li>○ Initially, the statistics were calculated by using the daily hours and miles provided by the HASTUS Line Summaries and factored by the number of operating days.</li> <li>○ Currently, these scheduled hours and miles are pulled from the Transit Dashboard reports (eliminating the need for the manual calculations previously done).</li> </ul> </li> <li>• “Actual” hours and miles <ul style="list-style-type: none"> <li>○ Lost service hours, reported to Central Communications, are subtracted from the scheduled hours to calculate the “actual” (estimated) hours.</li> <li>○ The percentage of lost hours against the total schedule hours are then used to the calculate the “actual” (estimated) miles.</li> </ul> </li> </ul> <p>Both transit operators included in the performance audit program provide service to the general public and are not precluded from employing part-time drivers or contracting service during peak hours.</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Sections 99270.1 and 99270.2</p>	<p>The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.</p>	<p><b>Not Applicable.</b> The provisions of the referenced PUC sections do not pertain to Orange County. One provision applies to a “blended” revenue ratio if the operator serves both urban and rural areas; the other provision pertains to newly urbanized areas. However, OCTA’s TDA Guidelines do establish rules for revenue ratios for the transit operators. OCTD is subject to a 20% urban farebox recovery ratio (per provisions of SB 508), which could include local support revenues. LMBTL is not subject to this ratio but must qualify under the 50% expenditure limitation provision of the TDA. Compliance with these requirements is discussed in each operator’s compliance review.</p>
<p>PUC Section 99275.5</p>	<p>The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.</p>	<p><b>Fully Compliant.</b> OCTD is the designated CTSA for Orange County and the only eligible claimant of Article 4.5 funds. During the audit period, OCTD claimed these funds for CTSA-related programs including ACCESS ADA Paratransit, Special Agency Transportation services, and the Senior Mobility Program (SMP). While M2 sales tax revenue is also provided to the 18 eligible cities for the SMP, the eligible non-profit agencies in Orange County have cooperative agreements with OCTA to continue receiving Article 4.5 funds for accessible senior transportation services. The non-profit agency must provide a local match of 20% of the funds provided by OCTD.</p> <p>OCTA’s updated TDA Guidelines provide a description of the evaluation criteria that OCTA must use to make annual findings prior to approving Article 4.5 claims. According to the findings of the prior performance audit, OCTA has strengthened its review by adding to its public transit claim checklist a requirement for OCTD to include information to make findings for Article 4.5. Under checklist item #13, OCTD makes seven findings in the claims:</p> <ol style="list-style-type: none"> <li>1. The community transit service is responding to a demonstrated need by those persons who cannot use fixed route service;</li> </ol>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		<ol style="list-style-type: none"> <li>2. The service is integrated with existing transit services, if appropriate;</li> <li>3. The claimant has prepared an estimate of revenues, operating costs, and boardings;</li> <li>4. The claimant is in compliance with fare recovery, performance requirements, and local match requirements;</li> <li>5. The claimant has been submitting an annual certified fiscal audit;</li> <li>6. The operator honors the federal Medicare identification card as sufficient identification for reduced fares for senior citizens; and</li> <li>7. The operator honors identification cards issued by another transit operator as sufficient identification for reduced fares for disabled veterans and other persons with disabilities.</li> </ol> <p>These findings are found in the updated OCTA TDA Guidelines.</p> <p>In the annual resolution authorizing filing of the LTF claim, it is stipulated that OCTD agrees to provide OCTA with information as necessary to support the funding claim including claims under Article 4.5.</p>
<p>PUC Sections 99310.5 and 99313.3 and Proposition 116</p>	<p>State transit assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes.</p>	<p><b>Fully Compliant.</b> OCTA, on behalf of its legal subsidiary the OCTD, is the sole recipient of STA funding in Orange County. These revenues may be used for capital and operating expenditures related to public transportation, community transit, and rail service. A portion of the funding is also used to subsidize fares for seniors and persons with disabilities.</p> <p>On March 12, 2018, the OCTA Board of Directors authorized use of the SB-1 portion of STA funds allocations for transit operations. The TDA Allocations/Disbursement Instructions starting the 2<sup>nd</sup> quarter of FY 17-18 requests distribution of STA for operations in addition to capital.</p> <p>To use STA for operations, TDA regulations (as amended by SB 508) require an efficiency test using a cost per service hour trend calculation. The results of this test to be conducted by OCTA are not included in the allocation/disbursement instructions to the Orange County Auditor-</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
		<p>Controller that verify compliance with statute for the amount of STA that could be applied to operations.</p> <p><b>Recommendation:</b> Although fully compliant with this measure in that all STA is allocated for public transportation purposes, OCTA allocation of STA revenue for transit operations rather than capital should demonstrate compliance through results of the operators qualifying criteria for eligibility (PUC 99314.6). OCTA conducts the efficiency test annually using audited performance and fiscal data. A sliding scale is used to determine the amount eligible for operations. It should be noted that efficiency tests are not required if STA revenues are used only for capital projects. The results of the eligibility and the proportion of STA that can be allocated for transit operations and capital should be included in the staff report for STA allocations.</p>
PUC Section 99314.3	The amount received pursuant to PUC Section 99314.3 by each RTPE for state transit assistance is allocated to operators in the area of its jurisdiction as allocated by the State Controller's Office.	<b>Fully Compliant.</b> STA funds available from PUC Section 99314.3 are included in the Formula Allocation Process for distribution to OCTD. OCTA and the City of Laguna Beach have agreed that LBMTL will receive local funding assistance in lieu of STA funds. Therefore, OCTD is the sole recipient of STA revenue.



Reference	RTPE Compliance Requirements	OCTA Compliance Actions
<p>PUC Section 99401.5</p>	<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for the exclusive use of pedestrians and bicycles, the transit-planning agency has annually:</p> <ul style="list-style-type: none"> <li>• Consulted with the SSTAC established pursuant to PUC Section 99238</li> <li>• Identified transit needs, including groups who are transit-dependent or transit-disadvantaged, adequacy of existing transit services to meet the needs of groups identified, and analysis of potential alternatives to provide transportation services</li> <li>• Adopted or re-affirmed definitions of “unmet transit needs” and “reasonable to meet”</li> <li>• Identified unmet transit needs and those that are reasonable to meet</li> <li>• Identified the unmet transit needs, or if there are not unmet transit needs, or there are unmet transit needs that are reasonable to meet.</li> </ul> <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	<p><b>Not Applicable.</b> OCTA is not subject to this PUC requirement. All applicable TDA funds are allocated for public or specialized transit purposes as elected by OCTA under PUC Section 99232, under the Apportionment Restriction.</p> <p>Despite not being subject to this requirement, OCTA’s citizen-based Special Needs Advisory Committee (SNAC) serves as the SSTAC equivalent to identify and address needs of specialized services.</p>

Reference	RTPE Compliance Requirements	OCTA Compliance Actions
CAC Section 6662	<p>The RTPE has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the resulting audit report to the state controller within 12 months of the end of each fiscal year and the audit must be performed in accordance with the Basic Audit Program and Report Guidelines for the California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting papers for at least four years following fiscal year close.</p>	<p><b>Fully Compliant.</b> The Comprehensive Annual Financial Reports were completed and transmitted to the State Controller within 12 months of the end of each fiscal year.</p> <p>FY16: submitted on October 31, 2016  FY17: submitted on October 31, 2017  FY18: submitted on October 31, 2018</p> <p>OCTA also files the CAFR with the State Controller on behalf of OCTD, per PUC Section 99243; for that purpose, the CAFRs must be submitted within 180 days after the end of the fiscal year. OCTA is also compliant with that requirement.</p>

**2.2. OCTD COMPLIANCE REVIEW**

The results of the compliance review of OCTD as a transit operator are summarized in **Table 2-2**.

Table 2-2 Compliance Matrix of OCTD as a Transit Operator

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99243	The transit operator submitted annual reports to RTPE based on Uniform System of Account and Records established by State Controller.	<p><b>Fully Compliant.</b> OCTA filed these reports with the State Controller within the 110-day timeline for reports submitted electronically (verified by the dates on the transmittal cover pages):            FY16: submitted on October 18, 2016            FY17: submitted on January 31, 2018 *            FY18: submitted on January 31, 2019 *</p> <p>In compliance with the PUC, OCTA files separate reports for OCTD general public service, and OCTD CTSA specialized service for elderly and disabled.</p> <p>*Note: AB 1113 extended the submittal date of the State Controller Transit Financial Transactions Report from 110-days to 7 months (end of January) beginning in FY 16-17.</p> <p>Recommendation: While in full compliance, OCTA should update its Standard Assurance checklist in the LTF claims to reflect changes from State legislation, including the due date for the State Controller Transit Financial Transactions Report.</p>
PUC Section 99245	The operator submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year or has received the 90-day extension allowed by law.	<p><b>Fully Compliant.</b> As a division of OCTA, the Transit Division is included in OCTA's Comprehensive Annual Financial Report. OCTA's annual reports were submitted to the State Controller within the required timeframe:            FY16: completed on Oct 31, 2016            FY17: completed on Oct 31, 2017            FY18: completed on Oct 31, 2018</p>

Reference	Operator Compliance Requirements	OCTD Compliance Actions																				
PUC Section 99251 B	The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator's terminal.	<p><b>Fully Compliant.</b> Dates were taken from copies of OCTA TDA claims containing CHP Pull Notice Compliance Certificates:</p> <table border="1" data-bbox="805 422 1414 751"> <thead> <tr> <th>Base</th> <th>FY15/16</th> <th>FY16/17</th> <th>FY17/18</th> </tr> </thead> <tbody> <tr> <td>Anaheim</td> <td>2/20/14</td> <td>2/19/15* 12/16/15**</td> <td>12/15/16</td> </tr> <tr> <td>Garden Grove</td> <td>9/29/14</td> <td>9/24/15</td> <td>9/19/16</td> </tr> <tr> <td>Irvine Sand Canyon Construction Circle</td> <td>1/17/14 12/4/14</td> <td>10/30/15** 1/9/16* 11/19/15</td> <td>1/19/17 12/12/16</td> </tr> <tr> <td>Santa Ana</td> <td>1/22/15</td> <td>1/22/15</td> <td>1/13/17</td> </tr> </tbody> </table> <p>*MV Transit ** First Transit</p>	Base	FY15/16	FY16/17	FY17/18	Anaheim	2/20/14	2/19/15* 12/16/15**	12/15/16	Garden Grove	9/29/14	9/24/15	9/19/16	Irvine Sand Canyon Construction Circle	1/17/14 12/4/14	10/30/15** 1/9/16* 11/19/15	1/19/17 12/12/16	Santa Ana	1/22/15	1/22/15	1/13/17
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Santa Ana	1/22/15	1/22/15	1/13/17																			
PUC Section 99261	The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims.	<b>Fully Compliant.</b> Claims made by OCTD and Laguna Beach Municipal Transit Lines follow the OCTA claim requirements under Article 4. A checklist of items filed with the claim is used to organize the materials, among them the public transportation claim form, standard assurances, financial statements, and performance measures. In compliance with implementing a prior performance audit recommendation, the OCTD claim form includes an additional requirement to document findings every year for Article 4.5 claims for ACCESS, Special Agency Transportation Services, and the Senior Mobility Program.																				
PUC Section 99270.1	If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenue to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPE.	<b>Not Applicable.</b> This provision, which applies to a "blended" revenue ratio if the operator serves both urban and rural areas, does not apply to Orange County.																				
PUC Section 99266	The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	<b>Fully Compliant.</b> OCTD budget increases during the audit period were well within the 15% cap, as shown in the annual TDA claim: FY16: 5.3% FY17: -6.2% FY18: 3.1%																				

Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99247	The operator's definitions of performance measures are consistent with PUC Section 99247.	<b>Fully Compliant.</b> OCTA complies with PUC requirements in reporting data in the State Controller Reports. The data include operating cost, total passengers, vehicle service hours, vehicle service miles, and vehicle service hours per employee. On an annual basis, an independent accountant verifies that a system is in place and maintained for recording data in accordance with NTD definitions which mirror those of the PUC. This process is conducted for agreed-upon procedures performed with respect to the National Transit Database Report.
PUC Sections 99268.2 99268.3 99268.1	If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to 20%.	<p><b>Fully Compliant.</b> OCTD is required to meet a 20.0% farebox recovery ratio. OCTA met this requirement throughout the audit period using a combination of passenger fares plus local support revenues:</p> <p><u>Farebox Recovery Ratio:</u>  FY16: 24.9%  FY17: 25.9%  FY18: 25.7%</p> <p>Note: SB 508 (October 2015) deleted the requirement for OCTA to meet the higher 24.42% farebox recovery ratio (based on the FY79 ratio), or 20.0% using just fare revenues. SB508 now instead requires OCTA to meet a 20.0% farebox ratio, with local support.</p> <p>Recommendation: While in full compliance, OCTA should update its Standard Assurance checklist in the LTF claims to reflect changes from State legislation, including the revised farebox recovery ratio with local support.</p>
PUC Sections 99268.2 99268.4 99268.5	If the operator serves a rural area, it has maintained a ratio of fare revenue to operating cost at least equal to 10%.	<b>Not Applicable.</b> OCTD's service area is in an urbanized area.

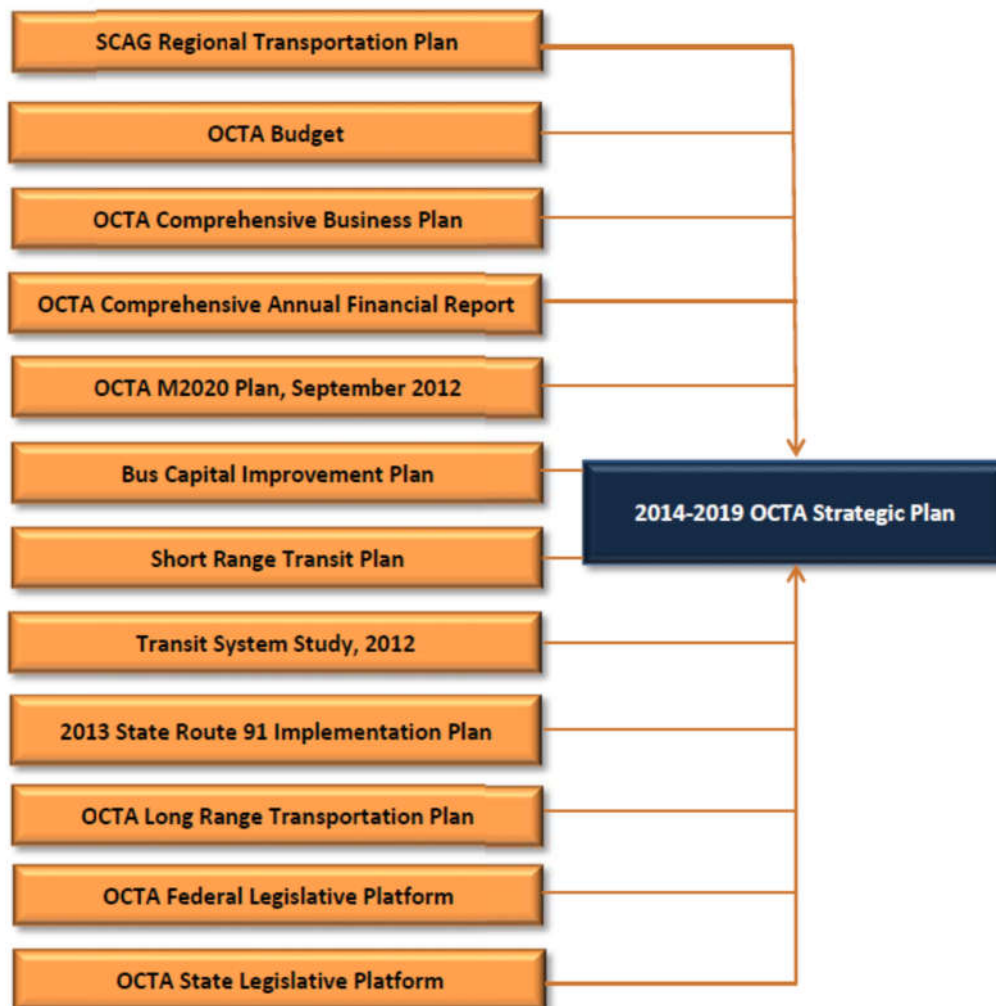
Reference	Operator Compliance Requirements	OCTD Compliance Actions
PUC Section 99271	The current cost of operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPPE, which will fully fund the retirement system for 40 years.	<b>Fully Compliant.</b> OCTD's TDA claims include letters from the Orange County Employee Retirement System (OCERS) Board certifying that the actuarial value of assets to the actuarial accrued liability was 72.3%, indicating less than fully funded as defined in the PUC. The most recent actuarial valuation of OCERS is as of December 31, 2017. The OCERS Board adopted a funding policy to combine and re-amortize the outstanding unfunded liability balance over a declining 20-year period. Higher employer and employee contribution rates since 2001 have been necessary to offset losses in the OCERS portfolio. Based on this information and the funding policy, OCERS certifies that OCTD satisfies the requirements of PUC Section 99271.
CAC Section 6754(a)(3)	If operator receives state transit assistance funds, operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	<b>Fully Compliant.</b> OCTA receives STA funds for transit projects. In addition, in its budgeting and reporting, OCTD plans for federal operating assistance grants, as well as federal capital assistance grants. During the audit period, annual budgets in the TDA claim show that federal assistance grants accounted for about 20 to 25 percent of total OCTD operating expenses. The highest budgeted percentage of federal assistance grants for operations was during FY16 at 25.5 percent, followed by 25.0 percent in FY18, and 21.0 percent in FY17.

### 3. MANAGEMENT CONTROL AND REPORTING

#### 3.1. STRATEGIC PLAN

OCTA completed its 2014-19 Strategic Plan during the prior audit period but it extends through the current audit period and into 2019. The Strategic Plan is intended to enhance OCTA’s focus on performance, accountability, and transparency. The Strategic Plan is intended to provide a framework, set priorities for five years, determine principles that will guide OCTA decisions, and provide strategies to achieve the agency goals. It is intended to be a living document that can be adjusted over time. The Strategic Plan builds on numerous other planning and financial documents as illustrated below in **Figure 3-1**.

Figure 3-1 – Integration of OCTA Plans with Strategic Plan



The framework of the Strategic Plan is composed of five elements:

- **Vision:** The future that OCTA is striving to create. OCTA's vision is:  
*An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.*
- **Mission:** The overall purpose and role of OCTA. OCTA's mission is to:  
*Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.*
- **Values:** Principles that guide OCTA staff in their day-to-day work. OCTA-defined values include: Integrity, Customer Focus, Can-Do Spirit, Communication, and Teamwork.
- **Goal Areas:** Broad statements of direction that OCTA is undertaking to carry out its mission. OCTA's goals include: Mobility, Public Service, Fiscal Sustainability, Stewardship, and Organizational Excellence.
- **Objectives:** Derived from the goals, objectives detail specific results that need to be achieved to make progress towards each goal. Each of OCTA's five goals is tied with three to four specific objectives.

Accountability and implementation of the Strategic Plan and tracking progress is achieved via performance measures at three levels: at the Board Chairman level, at the CEO level, and at the Division level. Each is updated annually. For example, the CEO list of initiatives and action plan for 2017 – in the middle of the audit period – is presented in **Figure 3-2** below.

Figure 3-2 – 2017 CEO Initiatives and Action Plan



The CEO presents quarterly progress reports to the Board as well as an end-of-year summary of progress.

OCTA monitors progress toward its goals and objectives using a balanced scorecard, or dashboard. This balanced scorecard approach is intended to provide decision-makers with information on the most critical facets of the agency's operations, by facilitating performance measurement and management from four key perspectives: customer, employee, financial, and process.



The CEO action plan by division tracks each project and associated milestone. Each activity is tracked by quarter, identifying whether it is completed (blue), on track (green), with an adjusted timetable (yellow), at risk (red), carryover (orange), and if it supports Board initiatives (light blue). This is illustrated below.

Figure 3-3 – Detailed CEO Action Plan by Division, FY 2018

OPERATIONS DIVISION, CONTINUED					
Project/Program	Milestone	Q1	Q2	Q3	Q4
5. Same Day Taxi Service	<b>Milestone:</b> Board award of consultant services for the same day taxi services - Q2. <b>Note:</b> On February 12, 2018, the Board approved the release of the request for proposals for taxi service providers. On July 23, 2018, the Board approved the selection of the contractor to provide Same-Day Taxi service to ACCESS-eligible customers.				
6. Hydrogen Fuel Cell Bus Purchases	<b>Milestone:</b> Receive first article, hydrogen bus – Q3. <b>Note:</b> On track for first delivery in Sep 2018.				
7. Micro-Transit Demonstration Project	<b>Milestone:</b> Implement OC Flex Service – Q3. <b>Note:</b> On March 26, 2018, the Board approved the firm to provide operation and maintenance services for the micro-transit pilot program. On August 13, 2018, the Board received an update on the pilot program and approved the proposed fare structure. OC Flex will more likely be implemented in October due to delays with the vehicle delivery. Timetable adjusted to Q4.				
8. iShuttle Project V	<b>Milestone:</b> Accept delivery of new iShuttle buses for expanded iShuttle service – Q3. <b>Note:</b> On June 25, 2018 the Board authorized an amendment to the agreement with First Transit for expansion of iShuttle service. Implementation of services has slipped to Q4 due to a delay in iShuttle bus receipt.				
9. Carryover 2017 - Near Zero NOx Emission Engines	<b>Milestone:</b> Complete engine repower on 98 New Flyer buses - Q4.				
10. Hydrogen Fuel Cell Bus Purchases	<b>Milestone:</b> Begin receiving remaining nine production buses - Q4.				

### 3.2. COMPREHENSIVE BUSINESS PLAN

OCTA’s CBP is a business planning tool designed to assist the Authority in implementing its strategic goals and objectives. The CBP lays the foundation for the annual budget process and is consistent with the goals of OCTA’s other key planning documents such as the SRTP and the Long Range Transportation Plan (LRTP).

The CBP utilizes a 20-year cash flow model for OCTA programs that is updated regularly in response to changes in the social, political, and economic environment in Orange County. The published document is typically updated every two years. The most recent CBP is dated September 2018 and serves as a baseline for developing the FY19-20 budget.



The published CBP provides descriptions, relevant trends, funding sources, and uses of funds for the following six OCTA programs: Bus Operations, Rail, Measure M2, the 91 Express Lanes, Non-Program Specific Projects, and Motorist Services.

Over the next 20 years, the CBP assumes a flat demand for fixed-route service (1,642,000 revenue vehicle hours) and a 28 percent increase in demand for paratransit trips (2,199,000 trips in 2038, up from 1,713,000 in 2018).

### 3.3. PERFORMANCE REPORTING

OCTA prepares quarterly performance reports for Bus Operations that track the following key performance indicators by mode. These reports track actual performance compared to a standard or division goal, and they are presented each quarter to the Board. For FY15 and FY16, this list of indicators for directly operated fixed route included:

#### Fixed-Route Performance

- Safety: Preventable Vehicle Accidents per 100,000 Miles. Standard: 1/100,000 miles
- Courtesy: Customer Complaints per 100,000 Boardings. Standard: 5/1,000 Boardings
- Reliability: On-time Performance (OTP). Standard: 85% OTP
- Reliability: Miles Between Road Calls. Standard: 14,000 MBRC

#### Performance Evaluation

- Productivity: Service Performance Index (A composite mixture of Passenger Boardings per Revenue Hour, Passenger miles per seat mile, and farebox recovery ratio, compared to system wide average and converted to a zero to one score – SPI of 0.5 represents an average route, therefore higher scores are more productive routes and lower scores less productive routes)

#### ACCESS Services

- Safety: Preventable Vehicle Accidents per 100,000 Miles. Standard: 1/100,000 miles
- Courtesy: Customer Complaints per 1,000 Boardings. Standard: 1. 5/1,000 Boardings
- Reliability: On-time Performance. Standard: 94% OTP
- Reliability: Miles Between Road Calls. Standard: 25,000 MBRC

For FY17 and FY18, Bus Operations restructured the performance reports. The new format is visually more appealing and self-explanatory. The statistics are now handled together for directly operated fixed-route, contracted fixed-route, and ACCESS. The new report is organized as follows:

- Safety (Vehicle accidents)
- Courtesy (Customer complaints)
- Reliability (On-time performance, miles between road calls)
- Ridership and productivity
- Unclassified revenue
- Contractor performance (tracking the contract penalties and incentives)

- Farebox recovery ratio (showing both with and without local revenues added to the farebox revenues)
- Operating cost per revenue vehicle hour
- Performance evaluation by route
- OC Bus 360 Plan, Performance to date

The quarterly performance reports are produced in addition to department-level performance reports that are prepared monthly, such as the Maintenance Department's Standards and Performance Indicators Report.

## 4. REGIONAL TRANSPORTATION PLANNING ENTITY FUNCTIONAL REVIEW

The primary objective of the Regional Transportation Planning Entity (RTPE) performance audit is to provide an independent, objective, and comprehensive evaluation of the economy, efficiency, and effectiveness of OCTA's performance as an RTPE. Together with the compliance review in Section 2, the functional review provides the basis for recommendations offered for OCTA's consideration in Section 6.

The functional review covers OCTA's role and performance in the following areas:

- Administration and management of its responsibilities as the RTPE
- Claimant relationships, including transit productivity oversight
- Transportation planning and regional coordination
- Marketing and transportation alternatives
- Grant applications and management.

The functional review has considered:

- The systems and procedures used for managing finances and operations, and those for evaluating and reporting performance
- Areas where there may be internal control weaknesses, uneconomical or inefficient operations, lack of goal achievement, or lack of compliance with laws and regulations
- Achievements and opportunities for improvement.

### 4.1. RTPE ADMINISTRATION AND MANAGEMENT

As the RTPE, OCTA is responsible for general administration, regional transportation planning, administering Local Transportation Fund (LTF) and State Transit Assistance funds (STA or STAF), working with and allocating funds to eligible claimants, handling grant applications, and managing approved grants. OCTA also provides transportation planning and regional coordination services for Orange County. OCTA plans, evaluates, and markets alternative transportation programs within the County. They work with federal, state, regional, and local agencies to plan, fund, implement, and maintain transportation programs and services throughout the County. These transportation services extend beyond transit.

#### 4.1.1. TDA PROGRAM ADMINISTRATION

OCTA is responsible for administering the TDA and LTF in Orange County. The Revenue and Grants Administration Department administers the TDA program. Staff prepare and update the OCTA TDA Guidelines<sup>1</sup>; prepare apportionments; maintain data on allocations and claims; assist claimants in preparing claims and amendments; review claims and amendments for eligibility, compliance, and funding; obtain Board approval of TDA claims; and prepare and update allocation instructions and payment schedules for the County Controller. Accounting & Financial Reporting oversees general accounting, and revenue and

<sup>1</sup>The OCTA TDA Guidelines for Administration of the Act and Preparation of Local Transportation Fund Claims and State Transit Assistance Fund Claims was most recently updated in December 2017.

grant accounting (among other responsibilities). This division prepares the drawdown and reimbursement requests that are submitted to the County Controller for payment. The TDA-mandated Triennial Performance Audits are managed by the Internal Audit Department. Internal Audit also transmits annual financial audit reports to the State Controller.

The largest part of TDA funding sources is the LTF, derived from a ¼ cent of the general sales tax collected statewide. The LTF is a stable ongoing funding source for local transit operators throughout the state. **Table 4-1** summarizes the top-level articles for LTF.

*Table 4-1 – LTF Article Descriptions*

LTF Article	Description
Article 3	<b>Administration</b> revenues are made available for administration of the TDA by a Transportation Planning Agency (TPA). OCTA is the TPA for Orange County and oversees the administration of this fund.
	<b>Planning</b> funding is available for transportation planning and programming by the County Transportation Commission (CTC), as determined by TDA. OCTA is the designated CTC for Orange County. The Southern California Association of Governments (SCAG) also claims some of this funding for their regional planning efforts.
Article 4	<b>Public Transportation Services</b> revenues are available to support public transportation systems and may be used for capital, operating, and maintenance costs. Transit operators must meet farebox revenue and local support ratios to remain eligible for these funds.
Article 4.5	<b>Community Transit Services</b> funds are available for the provision of community transit services, including transit services for persons with disabilities unable to use fixed-route transit services. Up to five percent of the annual LTF revenues are allotted to this service after deductions are made for administration, planning, and bicycle and pedestrian facility allocations.

The second component of TDA is the STA Fund (or STAF), which is derived from a portion of the sales tax on gasoline and diesel fuel. Funds are allocated based on annual population estimates. Two percent of the remaining money in the fund shall be made available to counties and cities for facilities that are provided for the exclusive use of pedestrians and bicycles. The STA Fund is forecasted by the California State Controller’s office on an annual basis and incorporates the impact of Transportation Senate Bill 1 (SB-1).

The TDA allocation process makes funds available for administering, planning, and programming TDA funds. Consistent with TDA guidelines, claims for these categories are funded first, in priority order, before other TDA-eligible claims. Funds allocated to OCTA for planning and programming may not exceed 3.0% of TDA revenues. Another 0.75% may be allocated to SCAG. These funds are a significant source of funding for OCTA. According to the OCTA 2017-2018 Approved Budget, the ¼ cent TDA sales tax is estimated to be \$162.2 million and the STAF \$28.9 million for FY2017-18. OCTA’s appropriations clearly distinguish between revenues allocated for administration and revenues allocated for programming. The

amounts that are committed to OCTA and the County Auditor-Controller for TDA administration and to OCTA and SCAG for planning and programming are also identified in OCTA's annual budgets.

OCTA oversees LTF funds allocated to Orange County. Eligible recipients are the OCTD and Laguna Beach Municipal Transit Lines. OCTD claims funding for providing public transit services to Orange County residents. LBMTL is eligible to claim funding for public transit services within the City of Laguna Beach. Eligible recipients are designated as CTSA. OCTA has designated OCTD as the sole CTSA in Orange County. Funds are provided to OCTD for community transportation and local agencies in Orange County to assist in their senior transportation programs.

**Table 4-2** provides an overview of the funds from LTF Articles 3, 4, and 4.5 over the audit period.

*Table 4-2 – Example of LTF for Orange County*

LTF Forecast	FY 15-16	FY 16-17	FY 17-18
<b>Net estimated sales tax available for apportionment</b>	<b>\$162,424,637</b>	<b>\$160,206,213</b>	<b>\$163,980,130</b>
<b>Article 3 Administration</b>			
OC Auditor-Controller	\$6,439	\$7,671	\$3,122
OCTA – CTC Administration	\$135,882	\$138,600	\$141,372
<b>Article 3 Planning</b>			
OCTA – CTC planning	\$365,554	\$3,604,639	\$3,610,130
SCAG – Regional planning	\$1,218,185	\$1,201,547	\$1,203,377
Amount available for public transit financing	<b>\$157,409,576</b>	<b>\$155,253,757</b>	<b>\$155,492,224</b>
<b>Article 4.5 Paratransit Operating &amp; Capital</b>			
OCTD – CTSA funding	\$7,870,479	\$7,762,688	\$7,774,611
<b>Article 4 Operating &amp; Capital</b>			
OCTD – Public transit funding	\$148,423,794	\$146,396,713	\$146,621,592
Laguna Beach – Public transit funding	\$1,115,304	\$1,094,356	\$1,096,021

Since the implementation of the “Amazon Tax” in 2012 (requires internet sales to be taxed) the composition of LTF sales tax revenues have been changing. In recent years, the expected revenue from these “point of sale” tax has failed to meet the Orange County projections. Concern over this discrepancy has led OCTA leadership to believe that the lower revenues are due to a lack of accountability for online purchases that are sold and shipped from distribution centers outside Orange County. In 2017, OCTA sponsored an audit request before the Joint Legislative Audit Committee, for the State Auditor to audit this sales tax collection.

The results of this audit confirmed that there has been a significant decrease in Bradley-Burns tax revenue in certain areas of the State, due to the unique situs rules for these taxes. One of the key recommendations of the audit was for legislation to change the situs rules to a destination-based system, which was then introduced in 2018 with SCA 20 (Glazer, D-Orinda), and supported by OCTA. This legislation failed passage, but discussions continue throughout the State about improved data to determine the impacts for each county. Since the projections have not matched actual funding over the past several years, OCTA has chosen to use a different forecasting methodology to create the budget. A compilation of an LTF-specific forecast by Muni Services and a blended rate forecast from three California Universities is used.

The second source of TDA funding comes from the STAF. Based on data provided in the FY2017-18 Approved Budget for OCTA, Sales Tax Revenue actuals for FY 2015-16 totaled \$7.9 million, and the budgeted sales tax revenue was \$17.2 million for FY 2016-17 and \$28.8 million for FY 2017-18. These budgets are estimates of OCTA's allocation of revenues based on the State Controller's Office estimates of STAF collections.

## 4.2. CLAIMANT RELATIONSHIPS

As the RTPE, OCTA works with its claimants to ensure an efficient and accurate disbursement of funds to those eligible to receive them. OCTA allocates both LTF and STAF to OCTD, and only LTF to LBMTL. Both agencies are eligible to receive STA and FTA funds.

In addition to its role in handling claims, OCTA also helps claimants enhance their productivity and administrative processes. OCTA organized a working group comprised of the Planning and Transit divisions which reviews productivity monthly. To set appropriate targets, data is validated based on NTD reports and financial status reports which are submitted annually. This includes data from First Transit, the contractor for fixed route bus.

OCTA works very closely with OCTD to provide assistance when necessary. OCTA manages TDA for OCTD and provides technical and managerial assistance to its operators. Since they are housed together, their working relationship was described in interviews as being like a single organization in function.

OCTA also provides assistance as needed to Laguna Beach Municipal Transit Lines (LBMTL). OCTA reviews LBMTL's reports to make sure they are in compliance and send them funding for which they qualify. OCTA operates under a cooperative agreement with LBMTL to pay them their share of the FTA funds. LBMTL has used a third party in the past two years to add more service, which has yielded higher Revenue Vehicle Hours and ridership.

## 4.3. TRANSPORTATION PLANNING AND REGIONAL COORDINATION

As discussed in Section 1.3, many accomplishments have occurred during this audit period. Regional coordination and transportation planning for Orange County utilizes many divisions within OCTA (primarily Planning and Operations), and the Executive Steering Committee. Most information regarding short-, mid- and long-term plans for Orange County can be identified in planning documents, agency agreements, and funding sources.

The more vital planning documents for OCTA include the Board Goals, developed annually, which are supported by the detailed CEO initiatives. Additional planning documents include the CBP. For the most

recent version of the CBP, analysis occurred during this audit period. The CBP contains a 20-year forecast for the entire agency and is updated annually. The CBP assumes the next fare increase will take place in 2023. The CBP is a good resource to compare trends of the goals set by the agency compared to actuals received over past years. OCTA also participates in the SCAG RTP (which is on a four-year cycle). OCTA's LRTP is used to inform/develop a project list, which is then submitted to the RTP. This process is completed on a staggered two-year basis. The LRTP is multimodal in nature and includes active transportation. Additionally, the Transit Master Plan was prepared in 2017. This Transit Master Plan outlines 11 high capacity corridors and does not specify the type of transit service (rail, bus-rapid transit, bus, etc.) to be utilized. The latest version was completed in February 2018.

Additional sources are used to identify major growth or changes likely to occur within Orange County which would impact the transportation network. OCTA uses a Regional Modeling group to develop trip/mode projections for both the long-range transportation plan and a model based upon the Transit Master Plan. Due to constraints of available resources, the CBP shows no growth in service hours for the next 20 years. Additionally, OCTA reviews project development plans for cities and developers within Orange County to coordinate efforts and provide valuable input prior to construction regarding transit and transportation matters.

OCTA collects transportation-related information from its own resources (fareboxes, APC, AVL equipment, and mobile ticketing) as well as from local agencies and partners. Data from the Longitudinal Employer-Household Dynamics (database provided by the US Census Bureau summarizing where people live and work) is also used for analysis.

Regarding the future of bus fleets within California, the California Air Resources Board released a standard for transitioning transit fleets to 100 percent zero-emission by 2040. In the interim, requirements for new annual bus purchases will follow a phased schedule starting at 25% in 2023, 50% in 2026, and 100% in 2029. During the audit period, OCTA took the opportunity to test a hydrogen fuel-cell bus to see if it meets OCTA needs. Currently, a hydrogen fueling station is under construction at the Santa Ana bus base. OCTA plans to test battery electric bus technology as well. No decision has been made at this time to adopt a zero emissions technology, but a plan will be developed outlining OCTA's implementation strategy to meet the 2040 fleet requirement. OCTA may decide to adopt multiple technologies (for example, equipping 80 percent of the fleet with hydrogen fuel cell, and equipping the remaining 20 percent with electric battery).

Another impactful change for the bus fleet was OCTA's 2018 decision to set the useful life of a bus to 18 years. The change was made as part of the Transit Asset Management plan development and re-assessment of asset useful lives. The 18-year bus life assumption – already adopted as part of the CBP – is a policy change with significant ramifications for fleet acquisition, but also for maintenance planning. Maintenance is expected to include a second mid-life interval at 12 years.

Recently, OCTA has utilized progressive tactics to meet transportation needs given funding restrictions. Under the Measure M Project V funding (which establishes a program for local jurisdiction to develop local bus transit services and meet needs in areas not adequately served by regional transit) OCTA provided a grant to the City of San Clemente. Under this grant, an agreement was established with Lyft to provide an alternative source of transportation where the bus service was discontinued along the service route. Under this agreement, users can hail a ride within 50 feet of the discontinued transit route (which is geofenced in the app) and get a coupon code to supplement their ride.



OCTA entered into an agreement with the City of Laguna Beach on May 22, 2017 under a cooperative agreement for OCTA to operate Route 689 or the Laguna Beach Summer Breeze. The services were scheduled for 11:00AM until 12:00 midnight on Saturdays and Sundays from July 1, 2017 through September 3, 2017. This contract was for the fixed amount of \$79,443.62 plus any required reimbursement for passenger fares if a subsidy was implemented by the City.

#### 4.4. MARKETING AND TRANSPORTATION ALTERNATIVES

As RTPE, OCTA is responsible for supporting transportation alternatives (e.g. shared-vehicle programs, bicycling) as well as making information about these resources readily available to the public. The CBP reinforces the importance of the relationship between transportation modes and users. It is also important that information regarding upcoming transit projects be communicated to the public. The OCTA division that interacts regularly with the public to market this information is the Public Information Office (PIO), which in 2015 was moved from the Marketing division to report directly to the OCTA CEO.

Marketing undertook a major marketing campaign after the initiation of OC Bus 360. They established a strategic marketing approach due to limited resources, which they have continued to follow. A variety of methods have been used to communicate information to the public including: the OCTA website (<http://www.octanet>), email blasts, social media pages, online advertisements, local billboards, direct mail-outs, promotional passes, creative services, bus wraps, and targeted campaigns.

The Marketing Department also conducts a system-wide (quantitative) customer satisfaction survey every two to three years, with the most recent occurring in FY15. Due to the number of changes to the service recently undertaken at OCTA, this survey will be delayed a year and conducted next in FY20. The Marketing Department also conducts a qualitative survey to general residents at more frequent intervals. As necessary, focus groups are brought in to help with marketing campaigns; these are also conducted with in-house focus groups. This tool was used most recently prior to the launch of a pilot on-demand service in October 2018.

OCTA progressively looks at ways to provide service to Orange County residents using alternative forms of transportation, and even alternative forms of accessing existing transit within the 34 cities of Orange County. For example, OCTA launched OC Flex (a micro-transit on-demand service, where users can request transit on an as-needed basis) in two zones where regular transit services were decreased or eliminated. The service is accessed through a mobile application or by phone. The on-demand vehicles which support this service are eight-passenger ADA accessible vans. This initiative is meant to supply the area with a comparable service where a bus route is not warranted. The results of this project may be used to influence other future initiatives. There are some concerns with OC Flex and how to best evaluate its success. For example, with the way the service is called/accessed, and the limited availability of a fixed route, OCTA has not identified a way to report the ridership in a comparable way.

Housed under the Bus Operations, OCTA's Vanpool program has been in place since 2007. One staff member in the Marketing division is responsible for the marketing and sales related to vanpool services. CMAQ funds support the program. In 2018, there were approximately 510 vanpools in operation. It was noted by staff that these reporting numbers will differ from NTD data. OCTA pulls the number of active vanpools at the end of each month, whereas NTD tracks the highest number of vanpools in each month. As other nearby counties have begun their own vanpool programs, OCTA has transferred the vehicles to

them. In this audit period, 21 vanpools were transferred to Riverside County and eight were transferred to San Bernardino County. The vanpool contractor, Enterprise™, is the supplier of vanpool vehicles in Orange County and is responsible for vehicle maintenance.

OCTA enlists an active transportation coordinator, housed under the Planning Division. Their focus is the “advancement of active transportation in Orange County, which includes bikeways planning, safety programs and community events.” They receive grants from the California State Office of Traffic Safety, which are used to promote bicycle safety through education. This division also works closely with OC Loop to develop Regional Bikeways Planning and a Master Plan. TDA Article 3 continues to provide annual funding for bicycle and pedestrian projects.

#### 4.5. GRANT APPLICATIONS AND MANAGEMENT

During this audit period the Executive Grants Committee (EGC) was structured into a more formalized group. This committee is comprised of most of the executive staff at OCTA, in addition to some of the Planning division staff. The EGC was formed to provide a stable process for the review, understanding, and supervision of grants identified for OCTA and to increase its success rate. The EGC meets once a month, separate from the Executive Steering Committee.

The EGC undertakes several tasks, including creating a package prior to each meeting which includes existing grant status, identifies potential grant opportunities, brainstorms ways to pursue grants, and reviews debriefs of grants where OCTA wasn't selected. When members of OCTA are interested in applying for a grant, they must present it to the EGC for approval before continuing the application process. This is to reduce time spent on grants that OCTA would not be eligible for, or which do not align with corporate goals. The EGC is working to formalize the “compliance” portion of the review process.

OCTA applies for grants on behalf of its operators. The Capital Programming Group is responsible for writing the discretionary grants on behalf of OCTD. The financial piece of the grant process is prepared by the Finance and Administration Division. OCTA is not involved with grant applications for Laguna Beach, except for changing the funding Laguna Beach typically receives (5307 and 5309) to local funds to ease the regulations attached to the funding that would restrict how Laguna Beach could use the funding.

Once grants have been approved, the Finance and Administration Division assumes responsibility for managing, administering, and reporting on grants. This includes reporting to the EGC monthly to ensure the funding is being used and all regulations are being followed. The Finance and Administration Division is also responsible for the reimbursements of all grants which are received from external agencies.

Staff members interviewed reported that they are pleased with how the EGC is functioning. They are pleased with the division of responsibilities that has been established to ensure the system works effectively and that OCTA follows funding agencies' requirements. This quality control has helped staff stay on target as well as keeping all divisions aware of funding granted to OCTA and how it is being used. Staff confirmed that, during this audit period, OCTA has complied with grant requirements and no grants have been denied or withdrawn.

## 5. OPERATIONS PERFORMANCE TRENDS AND FUNCTIONAL REVIEW

### 5.1. OVERVIEW

This section of the audit focuses on performance results and trends for OCTA's Bus Operations. It begins with the required TDA performance indicators, which are used to provide a high-level assessment of OCTA's systemwide efficiency and effectiveness during the performance audit period. The review of TDA performance indicators includes systemwide and modal results for the types of transit service OCTA provides:

- Fixed-route bus service, including both directly-operated and contracted service
- Demand response service – ACCESS, which is OCTA's ADA-mandated complementary demand response service – is operated under contract.

More detailed performance results are presented for each mode, using functional data as a basis for calculating and discussing cost and service performance metrics that help to explain the high-level performance trends observed in the TDA performance indicators. The TDA performance trends and functional reviews provide the independent and objective review of the efficiency and effectiveness of OCTA's performance as a transit operator that is the objective of this operator performance audit. Together with the compliance assessment in Section 2, the review of systemwide and modal performance trends and functional performance indicators provides the basis for recommendations offered for OCTA's consideration in Section 6.

### 5.2. SYSTEMWIDE OPERATIONS

California Public Utilities Code Section 99246(d) states that the performance audit of an operator providing public transportation services shall include, but not be limited to, a verification of the performance indicators defined in Section 99247 of the PUC. These performance indicators include:

- **Operating cost per passenger** to measure the cost effectiveness of the service consumed
- **Operating cost per revenue vehicle hour** to measure the cost efficiency of the service provided
- **Passengers per revenue vehicle hour** and **passengers per revenue vehicle mile** to measure the productivity of the service provided
- **Revenue vehicle hours per employee** to measure labor productivity.

In addition to the five required indicators, the **farebox recovery ratio** is calculated to determine whether an operator is eligible for funding under PUC. A summary of what is include is under PUC sections 99243 and 99247. The ratio of fare revenues to operating cost is 20% as the claimant is serving an urbanized area.

With the passage of Senate Bill 508 (SB 508) in October 2015, the State deleted provisions for certain operators (including OCTD) to meet a greater than 20% farebox ratio. Previously, OCTD was required to continually meet a 24.42% ratio that it previously generated from its 1978/79 fiscal year, or to meet a 20% ratio without the inclusion of local funds. SB 508 effectively authorized operators to use local funds in the

calculation of farebox recovery ratio. The specific SB 508 language change is presented in the text box below. This is a significant change that affects this TDA Triennial audit period for the first time.

**99268.19.**

If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by this article, an operator may satisfy that requirement by supplementing its fare revenues with local funds. As used in this section, “local funds” means any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.

Additional performance indicators were also evaluated regarding the efficiency, effectiveness, and general performance of OCTA’s public transportation services.

The primary data for this analysis is taken from FTA’s and OCTA’s National Transit Database (NTD) reports, since they typically provide the most detailed performance data. Where necessary, other data sources (e.g., financial audits, State Controller reports, internal reports from the Transit Division) were used to calculate additional performance results.

Cost and revenue-based performance indicators have not been adjusted for inflation, but year-over-year inflation rates, as well as the total inflation over the three-year audit period, are provided at the bottom of each data table. The inflation data are based on the Orange County Consumer Price Index for All Items, furnished by the Bureau of Labor Statistics.

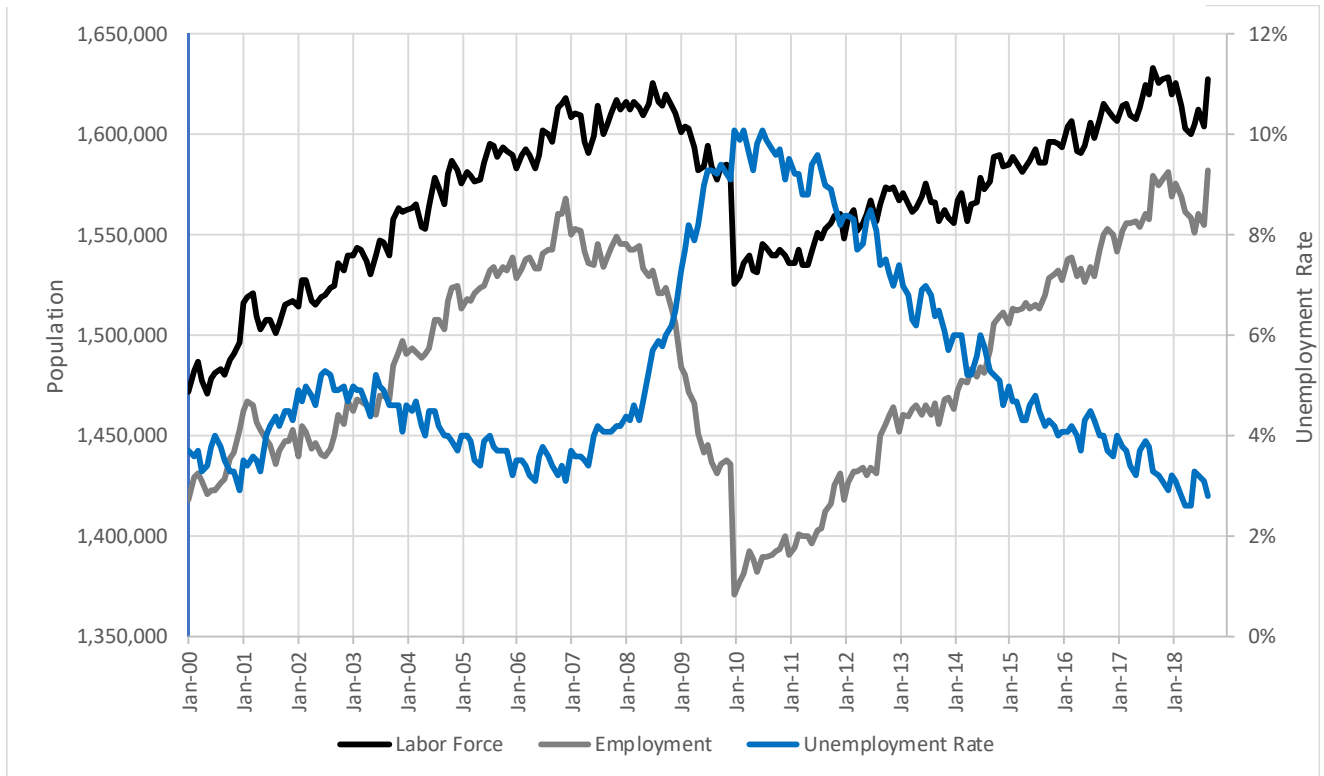
There are several external factors outside OCTA’s direct control that impact OCTA performance results, including the costs of fuel, liability coverage, state-mandated employee benefits, air quality laws/regulations, technology developments, and recent economic conditions. As a public agency, OCTA must comply with new state and federal mandates. Compliance with these regulations often entails costs that, while planned, impact the agency’s budget. One such mandate is Senate Bill 375 (SB 375), which was signed into law in 2008 and is intended to control greenhouse gas emissions through land use planning and transportation decisions. This bill continues to have effects today. Another influential bill is Senate Bill 1 (SB 1), signed into law in 2017, which helps transit agencies increase access and service and pay for capital projects. Revenues of \$5 billion are expected to improve local transportation infrastructure, statewide. The sources of the revenue include increases to the gas tax, the diesel fuel tax, vehicle registration fees and a clean air vehicle fee. The repeal of this bill under Proposition 6 was defeated in November 2018.

One of the key external factors affecting OCTA’s operation during the audit period was the dynamic economic picture. Since the recession of 2008 the national economy has enjoyed nearly nine years of economic growth and job creation. This mirrors the regional picture in Orange County. **Figure 5-1** shows the employment trends in Orange County for almost 20 years. The following observations can be drawn:

- The labor force today is back to the levels of the big recession of 2008 at 1.63 million
- As of mid-2017, Orange County employment had surpassed that of pre-recession peak
- The unemployment rate in the County has been steadily declining for eight years in a row from the 2010 peak

- Between the audit period timeframe of 2015 and 2018, employment in Orange County rose to its pre-recessionary levels and the unemployment rate is now well below 3%.

Figure 5-1 – Labor Force and Employment in Orange County, 2000 to 2018



Sources: Labor Market Indicators, Orange County, California Employment Development Department

Starting in FY11, OCTA began implementing service changes three times per year instead of four. Switching to three service changes reduces the associated costs while maintaining the flexibility to respond to changing demands and the economic recovery of the region. During this audit period, OCTA continued to conduct three annual service plans.

The total quantity of fixed-route service provided – measured by Revenue Vehicle Hours or RVH – during the audit period was essentially flat (-0.5% change since FY15). What changed was the *distribution* between directly operated and purchased transportation. This is in line with the OC Bus 360 Program and OCTA’s policy decision to continue to mitigate operating costs by increasing contract service levels up to 40% of the total fixed-route service. As can be seen in **Table 5-1**, there was a 15% reduction in the directly operated motor bus service, and a 34.6% increase in purchased transportation. With commuter bus, the increase for directly operated was matched by a similar decline for purchased transportation (about 6%).

Table 5-1 – Fixed-Route Revenue Service Levels (Revenue Vehicle Hours), FY 2015- FY2018

Service Levels	Mode	Base Year	Audit Review Period				% Change
		FY15	FY16	FY17	FY18	FY15-FY18	
Directly Operated RVH	Commuter Bus	8,557	9,461	10,799	9,045	5.7%	
	Motor Bus	1,114,607	1,034,267	976,672	946,984	-15.0%	
Purchased Transportation RVH	Commuter Bus	20,102	21,122	21,573	18,883	-6.1%	
	Motor Bus	465,256	559,754	619,169	626,110	34.6%	
	Total, Fixed-Route	1,608,522	1,624,604	1,628,213	1,601,022	-0.5%	

Source: NTD Reports

**Figure 5-2** displays Orange County population growth and Fixed-Route boardings over the last 13 years. The population in Orange County grew steadily from 2.9 to 3.2 million during this time, a 9% increase.

Plotting OCTA's ridership (measured by boardings) shows that Fixed-route ridership peaked back in FY07, with 69 million boardings. Ridership declined until 2010, stabilized over a period of four years, then experienced another decline until 2017. Ridership appears to have stabilized in 2018. The total boardings decline compared to the peak in FY07 is extensive and represents about a 43% drop.

Figure 5-2 – Orange County Population and Fixed-Route Bus Boardings 2006-2018



Sources: Population

In 2010, OCTA initiated the Transit System Study, a comprehensive operations analysis of OCTA's Fixed-route and demand response services. The Study, which was completed in 2012, evaluated the allocation of transit services in the County to better match resources to demand. It identified a series of short, medium, and long-term changes to improve OCTA's efficiency and effectiveness in maximizing mobility benefits. OCTA will begin implementing Transit System Study pilot projects in FY14 and FY15, including limited stop service on Harbor Boulevard and express bus service on State Routes 22 and 73.

### 5.2.1. FAREBOX RECOVERY

During the audit period, OCTA has strived to stabilize ridership and farebox recovery through the OC Bus 360 program. Still, from FY15 to FY18, farebox recovery – as calculated in the historic way, i.e., without any local funds or subsidies included on the revenue side– eroded by 18.6%.

Under PUC Sections 99268.2, 99268.3, or 99268.4, and following SB 508, OCTA measures farebox recovery by including farebox revenues plus local support funds that currently help fund OCTD operations including property tax revenues, advertising revenue, and Measure M fare stabilization.

The ability to include a larger spectrum of local support revenue resulted in OCTA not having to increase fares during the audit period. The last fare increase took place in early 2013, when OCTA implemented a fare increase to offset rising costs. Regular cash fare for a one-way trip increased from \$1.50 to \$2.00, and the cost of a regular fare 30-day pass increased from \$55 to \$69. Cash fare for seniors and people with

disabilities increased from 60 to 75 cents and discounted monthly passes increased from \$18 to \$22.25. At that time, OCTA also introduced a five-ride pass for \$9, and discounted pre-paid day passes. In the current environment, OCTA hopes to keep the fares stable and the next fare increase assumption in the CBP is for 2023. A fare study is currently under way.

This is the first Performance audit period post SB 508 implementation. OCTA exceeded its farebox recovery targets, as shown in **Table 5-2**.

*Table 5-2 – Systemwide Farebox Recovery FY 2015 to FY 2018*

Date Item and Farebox Ratio	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Farebox Revenues	\$54,867,082	\$51,054,127	\$46,503,568	\$44,612,570	-18.7%
Operating Costs	\$266,233,999	\$279,688,558	\$264,579,605	\$265,936,098	-0.1%
Farebox Recovery Ratio (no local funds)	<b>20.6%</b>	<b>18.3%</b>	<b>17.6%</b>	<b>16.8%</b>	<b>-18.6%</b>
Farebox Revenues	\$54,867,082	\$51,054,127	\$46,503,568	\$44,612,570	-18.7%
Local Funds - Sales Taxes	\$2,896,501	\$4,448,661	\$5,060,842	\$7,039,969	143.1%
Local Funds - Property Taxes	\$13,293,181	\$14,098,212	\$14,943,128	\$15,994,605	20.3%
Local Funds - Other dedicated funds (Tolls)	\$0	\$58,641	\$0	\$0	N/A
Local Funds - General revenue	\$0	\$0	\$2,130,771	\$651,032	N/A
Local Funds - Other local funds	\$0	\$0	\$0	\$29,510	N/A
Local Funds - Total (from NTD Form F-10)	\$16,189,682	\$18,605,514	\$22,134,741	\$23,715,116	46.5%
Operating Costs	\$266,233,999	\$279,688,558	\$264,579,605	\$265,936,098	-0.1%
Farebox Recovery Ratio (with local funds)	<b>26.7%</b>	<b>24.9%</b>	<b>25.9%</b>	<b>25.7%</b>	<b>-3.7%</b>
TDA Requirement	20.0%	20.0%	20.0%	20.0%	0%

Sources: NTD Reports, F-10 Form (Sources of Funds – Funds Expended & Funds Earned)

When interpreting **Table 5-2**, the following conclusions are apparent:

- First, the farebox recovery ratio, as calculated without local funds (i.e., pre-SB 508) has dropped every year of the audit period and at 16.8% is now substantially below the 20% benchmark.
- The farebox recovery ratio, as calculated with local funds, is more than 25% thus comfortably exceeds the 20% benchmark. The measure has been stable over the audit period.
- The calculations shown in the table are based on the Fare Revenues and local funds reported through NTD. They exclude Low Carbon Transit Operations Program (LCTOP) funds, as well as Fare Stabilization funds.

It is tempting to compare farebox recovery ratio as calculated with NTD data with farebox recovery as calculated for Performance Measurement reports (i.e., the Quarterly reports prepared for the Board). The numbers are close but don't match exactly because they have slightly different numerators and denominators. The key differences between the measurement methodologies are presented in **Table 5-3**:



Table 5-3 – Difference in Assumptions for Farebox Recovery Calculations, Using NTD Reporting Versus Performance Measurements Reporting Assumptions

Type or Source of Funding	Item	NTD Reporting	Performance Measurements Reporting
Fare Revenue	Yellow Cab retained fares	Included in Fare Revenue	Not included in Fare Revenue
	LCTOP funds	Not included in Fare Revenue	Included in Fare Revenue
Local Funds Revenue	Sales taxes	Included in Local Funds	Not included in Local Funds
	Other dedicated funds (tolls)	Included in Local Funds	Not included in Local Funds
	General revenue	Included in Local Funds	Not included in Local Funds
	Other local funds	Included in Local Funds	Not included in Local Funds
Advertising Revenue	Advertising	Considered a Directly Generated Fund	Considered Local Fund
Vanpool Expenses	Vanpool Expenses	Not included in Expenses	Included in Expenses

Sources: OCTA, NTD Reports

It is important for these differences to be understood when comparing the two sets of figures.

Calculating the farebox recovery ratio for each mode, as shown in **Table 5-4**, is helpful for understanding the performance of the individual modes. For an even comparison, the calculations were made without local funds. During the audit period, OCTA's farebox recovery for fixed-route services shrunk about 20%, reflecting the reduction in ridership and associated farebox revenue. With demand response, farebox recovery was mostly flat, reflecting much more consistent ridership.

Table 5-4 – Fixed-Route and Demand Response, Farebox Recovery FY 2015 to FY 2018

Farebox Recovery Calculation - Fixed-route Bus Service

Date Item and Farebox Ratio	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Farebox Revenues	\$48,496,844	\$44,439,893	\$39,516,626	\$37,854,504	-21.9%
Operating Costs	\$196,262,473	\$201,480,886	\$192,765,060	\$191,136,844	-2.6%
TDA Farebox Recovery Ratio (no local funds)	24.7%	22.1%	20.5%	19.8%	-19.9%

Farebox Recovery Calculation - Demand Response

Date Item and Farebox Ratio	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Farebox Revenues	\$6,370,238	\$6,614,234	\$6,986,942	\$6,758,066	6.1%
Operating Costs	\$69,971,526	\$78,207,672	\$71,814,545	\$74,799,254	6.9%
TDA Farebox Recovery Ratio (no local funds)	9.1%	8.5%	9.7%	9.0%	-0.8%

Sources: NTD Reports

## 5.2.2. TDA PERFORMANCE INDICATORS

OCTA's performance against the five TDA indicators is depicted in **Table 5-5**. These indicators incorporate key measures of transit service delivery and consumption, including operating costs, ridership, service levels, and employee full time equivalents (FTEs). Overall, the TDA performance measures were significantly impacted by the decline in ridership (including the poorer effectiveness and productivity measures this entails), but also point to the efficacy of some of OCTA's cost sustainability initiatives, such as increasing the contracted fixed-route proportion to 40 percent.

In response to declining ridership projections, and the corresponding declines in farebox revenues, OCTA instituted the OC Bus 360 program. The program was the most comprehensive analysis of the system ever undertaken before. It resulted in reallocated service at key times in the audit period (2016 and again later in 2017-18) as well as a series of new initiatives, such as OC Flex. OCTA made the decision not to cut any service (measured by revenue hours provided). The full impact of these measures will probably not be felt until the next audit period (FY19-21), however there are early indications of success with ridership levels appearing to bottom out in FY18.

The economy and inflation do not seem to be major causes any more as TDA performance indicators were impacted by other factors.

*Table 5-5 – Systemwide, TDA Performance Indicators FY 2015 to FY 2018*

Verified TDA Statistics & Performance Indicators	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Operating Costs	\$266,233,999	\$279,688,558	\$264,579,605	\$265,936,098	-0.1%
Unlinked Passengers	48,736,032	45,056,855	41,566,419	40,922,124	-16.0%
Revenue Vehicle Hours	2,368,118	2,379,845	2,355,478	2,345,768	-0.9%
Revenue Vehicle Miles	31,965,331	32,474,301	31,694,066	31,327,949	-2.0%
Employee FTEs	1,063	989	977	907	-14.7%
Operating Cost per Revenue Vehicle Hour	\$112.42	\$117.52	\$112.33	\$113.37	0.8%
Operating Cost per Passenger	\$5.46	\$6.21	\$6.37	\$6.50	19.0%
Passengers per Revenue Vehicle Hour	20.58	18.93	17.65	17.45	-15.2%
Passengers per Revenue Vehicle Mile	1.52	1.39	1.31	1.31	-14.3%
Service Hours per Employee FTE	2,228	2,407	2,410	2,587	16.2%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs  
Sources: NTD Reports, State Controller Reports (employee FTEs)

Systemwide cost efficiency was essentially flat during the audit period. Operating cost per revenue hour increased by a modest 0.8%, while the CPI increased only 8.4% during the same period. After a jump in FY16, operating costs dropped back to FY15 levels in FY17 and FY18, which is quite remarkable given inflation. OCTA made the decision not to cut systemwide service levels despite the ridership drop, and this decision is borne out in the statistics. Revenue vehicle hours output was also flat during the three-year period, compared to FY15, with a 0.9% decline.

Systemwide cost effectiveness, however, decreased by 19%. The overall operating cost per passenger increased from \$5.46 to \$6.50. The main reason behind the jump is the 16% drop in unlinked passengers. All the passenger-driven effectiveness and productivity indicators, given the magnitude of the ridership declines, will show declines.

Passengers per revenue hour and mile (service productivity) also decreased, by 15.2% and by 14.3% respectively. The number of passengers per revenue hour and mile is negatively impacted by the loss in ridership. After a modest increase in FY16, vehicle miles dropped back in FY17 and even more in FY18 as OC Bus 360 was put in place. Still the overall drop in ridership means service productivity looks worse than it did in FY15.

Labor productivity, measured as revenue hours per employee FTE, fluctuated but increased 16.2% overall from 2,228 hours in FY15 to 2,587 in FY18. Most of this increase is due to the reduction in employee FTEs, about 14% during the period.

On a systemwide basis, vehicle productivity (i.e., average vehicle occupancy) experienced declines during the audit period, as shown in **Table 5-6**. This is a little counter-intuitive, given the OC Bus 360 program objectives. When breaking out the different modes, it becomes apparent that purchased transportation experienced an increase in both revenue vehicle miles and passenger miles, and this is consistent with OCTA's intended shift to increase service levels up to 40% of the total fixed-route service.

*Table 5-6 – Systemwide and Mode, Vehicle Occupancy FY 2015 to FY 2018*

Operations Data	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
<b>Revenue Vehicle Miles</b>	<b>31,965,331</b>	<b>32,474,301</b>	<b>31,694,066</b>	<b>31,327,949</b>	<b>-2.0%</b>
Directly Operated Fixed-route Bus	13,202,024	12,287,765	11,688,772	11,312,975	-14.3%
Purchased Transportation Fixed-route Bus	6,412,449	7,560,704	8,071,108	8,045,204	25.5%
Purchased Transportation Demand Response	12,350,858	12,625,832	11,934,186	11,969,770	-3.1%
<b>Passenger Miles</b>	<b>191,771,118</b>	<b>177,049,413</b>	<b>161,469,956</b>	<b>170,683,771</b>	<b>-11.0%</b>
Directly Operated Fixed-route Bus	132,835,362	111,351,940	95,812,598	105,676,528	-20.4%
Purchased Transportation Fixed-route Bus	40,359,598	46,425,423	48,590,826	47,952,686	18.8%
Purchased Transportation Demand Response	18,576,158	19,272,050	17,066,532	17,054,557	-8.2%
<b>Vehicle Occupancy</b>	<b>6.0</b>	<b>5.5</b>	<b>5.1</b>	<b>5.4</b>	<b>-9.2%</b>
Directly Operated Fixed-route Bus	10.1	9.1	8.2	9.3	-7.2%
Purchased Transportation Fixed-route Bus	6.3	6.1	6.0	6.0	-5.3%
Purchased Transportation Demand Response	1.5	1.5	1.4	1.4	-5.3%

Source: NTD Reports

The rest of this section describes performance trends and results for:

- Fixed-route bus service, including service operated directly by OCTA and service operated by First Transit under contract to OCTA
- Demand response service operated by MV under contract to OCTA to provide ACCESS service.

### 5.3.FIXED-ROUTE BUS OPTIONS

OCTA has transitioned an increasing share of its fixed-route bus service from direct operation to contracted services since FY09. First it was to MV Transportation, OCTA's fixed-route contract service provider, then after June 2015, OCTA switched to First Transit. The contract term is from June 1, 2015 through May 31, 2019, with two, 2-year options. This will theoretically take OCTA through to 2023. Under the labor agreement, OCTA can contract up to 40% of fixed-route bus service.

Historically, OCTA has used its fixed-route service contractor to operate service during peak periods, as well as routes that have relatively low service productivity. OCTA traditionally assigned smaller vehicles to the contractors to use on the lower productivity routes and routes in hills and through residential neighborhoods. This has changed in recent years as First Transit now operates from both Irvine and Anaheim bases, and they operate on more and busier routes.

**Table 5-7** shows revenue service hours and ridership. In the audit period, the percent of purchased transportation revenue hours increased from 35.8% to 40.3%. In FY15, this percentage was 30.2%. The percentage of passengers carried by purchased transportation is now up to 31.2%. The CBP assumes a 60-40 distribution between directly operated and purchased transportation, over the next 20 years.

*Table 5-7 – Fixed-route Bus, Directly Operated vs. Purchased Transportation FY 2015 to FY 2018*

Reporting Period	Directly Operated		Purchased Transportation		Total			
	Rev Hours	Passengers	Rev Hours	Passengers	Rev Hours	% PT	Passengers	% PT
FY15	1,123,164	37,834,362	485,358	9,187,083	1,608,522	30.2%	47,021,445	19.5%
FY16	1,043,728	32,380,916	580,876	10,890,617	1,624,604	35.8%	43,271,533	25.2%
FY17	987,471	28,023,916	640,742	11,930,930	1,628,213	39.4%	39,954,846	29.9%
FY18	956,029	27,037,277	644,993	12,237,469	1,601,022	40.3%	39,274,746	31.2%

Source: NTD Reports

#### 5.3.1. DIRECTLY OPERATED FIXED-ROUTE SERVICE

**Table 5-8** provides TDA performance indicators for directly operated fixed-route service.

Operating cost per revenue vehicle hour, a measure of *cost efficiency*, was relatively stable over the period with a 3.1% increase over the base year. At the end of FY18, the operating cost per revenue hour is \$133.13. This compares to an 8.4% increase in inflation. Revenue hours decreased 14.9% over the audit period, while operating costs decreased 12.2%. FY16 reached \$136.27 per revenue vehicle hour, but the OC Bus 360 actions stabilized cost efficiency in FY17 and FY18. The progressive transition of additional service to purchased transportation also helped.

*Cost effectiveness*, measured as operating cost per passenger, increased by 22.9%. This is a lot higher than the 8.4% increase in the CPI during the audit period and is explained by the ridership drop faced by OCTA.

The *productivity of directly operated fixed-route service* suffered 16% declines as the number of passengers per revenue hour and mile decreased. So even though OCTA reduced some directly operated service by

converting it to purchased transportation (the overall level of service was unchanged), the number of passengers declined more, sending the productivity measure into a double-digit decline.

*Labor productivity* (revenue hours per employee FTE) remained relatively stable, down 0.2% over the audit period at about 1,050 service hours per employee FTE.

Table 5-8 – Directly Operated Fixed-route Bus, TDA Performance Indicators FY 2015 to FY 2018

Verified TDA Statistics & Performance Indicators	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Operating Costs	\$144,968,107	\$142,223,706	\$130,638,199	\$127,276,998	-12.2%
Unlinked Passengers	37,834,362	32,380,916	28,023,916	27,037,277	-28.5%
Revenue Vehicle Hours	1,123,164	1,043,728	987,471	956,029	-14.9%
Revenue Vehicle Miles	13,202,024	12,287,765	11,688,772	11,312,975	-14.3%
Employee FTEs	1,063	989	977	907	-14.7%
Operating Cost per Revenue Vehicle Hour	\$129.07	\$136.27	\$132.30	\$133.13	3.1%
Operating Cost per Passenger	\$3.83	\$4.39	\$4.66	\$4.71	22.9%
Passengers per Revenue Vehicle Hour	33.69	31.02	28.38	28.28	-16.0%
Passengers per Revenue Vehicle Mile	2.87	2.64	2.40	2.39	-16.6%
Service Hours per Employee FTE	1,056	1,055	1,010	1,054	-0.2%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs  
Source: NTD Reports

During the audit period, vehicle operations accounted for over 60% of directly operated fixed-route operating costs, as shown in **Table 5-9**. This is consistent with historical experience. The remainder of the operating costs split between maintenance and administration. Operating costs for Operations and Maintenance were down 13.7% and 14.3%, respectively, mainly due to the transition of some service to purchased transportation. The operating cost for Administration was down 3.4%.

Table 5-9 – Directly Operated Fixed-route Bus, Distribution of Operating Costs FY 2015 to FY 2018

Base Data and Performance Indicators	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Operating Cost, Operations	\$90,577,376	\$84,126,677	\$79,545,357	\$78,141,078	-13.7%
Operating Cost, Maintenance	\$31,401,550	\$29,579,933	\$26,580,162	\$26,918,297	-14.3%
Operating Cost, Administration	\$22,989,181	\$28,517,096	\$24,512,680	\$22,217,623	-3.4%
% Operating Cost, Operations	62.5%	59.2%	60.9%	61.4%	-1.7%
% Operating Cost, Maintenance	21.7%	20.8%	20.3%	21.1%	-2.4%
% Operating Cost, Administration	15.9%	20.1%	18.8%	17.5%	10.1%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: NTD Reports

Operations accounted for the highest share of employees. Approximately 72% of the total FTEs support service operations, as shown in **Table 5-10**, whereas maintenance accounts for approximately 17%.

Administrative FTEs grew slightly to 11% of total FTEs. The proportion of administrative FTEs increased as total FTEs were reduced. Conversely, the proportion of operations and maintenance FTEs shrunk slightly as service transitioned more to contracted operations.

Table 5-10 – Allocation of Directly Operated Fixed-route Bus Labor Hours and FTEs, FY 2015 to FY 2018

FY	Operations			Maintenance			Administration			Total		
	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs	Labor Hours	FTEs	% of Total FTEs
FY15	1,549,720	775	72.9%	368,251	184	17.3%	208,278	104	9.8%	2,126,249	1063	100%
FY16	1,433,349	717	72.5%	340,211	170	17.2%	204,153	102	10.3%	1,977,713	989	100%
FY17	1,406,601	703	72.0%	334,006	167	17.1%	214,093	107	11.0%	1,954,700	977	100%
FY18	1,308,227	654	72.1%	304,804	152	16.8%	200,233	100	11.0%	1,813,264	907	100%

Source: NTD Reports

Table 5-11 shows vehicle operations performance indicators for directly operated bus service.

Generally, many of the vehicle operations performance indicators presented are in significant flux over the audit period, given the decrease in ridership and the shift of service to purchased transportation. OCTA has successfully scaled down operations of its own FTEs and costs in proportion to the service reallocation. One illustration is revenue hours per FTE has been very stable during the audit period. Noteworthy changes in performance indicators include:

- Unmet scheduled Revenue Vehicle Miles (RVM) were down 18.1% during the audit period, a positive result. In FY17 the RVM volume was down following the service reduction and in FY18 OCTA redeployed some of the service hours that had been used.
- The percent deadhead time (or unproductive driving time with no revenue passengers) was up almost 20% over the audit period for Fixed-route operated service likely due to deadheading the vehicles to two bases (Garden Grove and Santa Ana) instead of three (Anaheim, Garden Grove and Santa Ana) following the two service changes in FY16 and FY17.
- OCTA has a standard of no more than one vehicle accident per 100,000 miles for directly operated Fixed-route. It is the same standard for contracted Fixed-route and for ACCESS. All three modes met their standard for safety during the audit period. The number of bus crashes was 90 in FY15, but has climbed into the three digits in each of the audit period years. Contracted Fixed-route safety performance is typically the best, followed by ACCESS, followed by directly operated Fixed-route. In Table 5-10, Preventable Crashes per 100,000 Total Vehicle Miles were up 39.2% during the audit period, which means even though the standard may be met, the increase in total accidents is something to be watched.
- On time performance (OTP) requires buses to depart between zero minutes early and five minutes late 85% of the time. On time performance has traditionally been quite good for directly operated service, exceeding the 85% goal, except for FY2018 where it was just under at 84.9%. The automatic vehicle location (AVL) system provides continuous information and enables OCTA to track on-time performance both overall, and for specific time segments.
- In February 2018, Transit reversed an OTP measurement change in response to an Internal Audit report, retroactive to 2016. The alternative methodology, in effect for two years, increased the OTP window by 30 seconds to accommodate near-sided stop scenarios. However, it was determined this was more than offset by the higher proportion of late-sided stops and thus, benefiting both

directly operated and contract operations. Moving forward, OTP measurement at intersections will remain at zero to five minutes as originally defined.

Table 5-11 – Directly Operated Fixed-route Bus, Vehicle Operations Performance Indicators, FY 2015 to FY 2018

Base Data and Performance Indicators	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Vehicle Operations FTEs	774.9	716.7	703.3	654.1	-15.6%
Vehicle Operations Costs	\$90,577,376	\$84,126,677	\$79,545,357	\$78,141,078	-13.7%
Total Operator Pay Costs	\$34,555,114	\$33,626,183	\$32,122,228	\$35,991,876	4.2%
Revenue Vehicle Hours (RVH)	1,123,164	1,043,728	987,471	956,029	-14.9%
Revenue Vehicle Miles (RVM)	13,202,024	12,287,765	11,688,772	11,312,975	-14.3%
Scheduled Revenue Vehicle Miles	13,210,382	12,296,650	11,693,743	11,319,824	-14.3%
Total Vehicle Hours	1,226,398	1,139,676	1,093,742	1,062,918	-13.3%
Total Vehicle Miles	15,804,505	14,627,491	13,927,507	13,479,770	-14.7%
Bus Crashes	90	104	125	107	18.8%
Unlinked Passenger Trips	37,834,362	32,380,916	28,023,916	27,037,277	-28.5%
Passenger Miles	132,835,362	111,351,940	95,812,598	105,676,528	-20.4%
RVH per Operations FTE	1,450	1,456	1,404	1,462	0.8%
Operator Pay Cost as % of Vehicle Operations Costs	38.1%	40.0%	40.4%	46.1%	20.7%
Revenue Vehicle Hours / Total Vehicle Hours	91.6%	91.6%	90.3%	89.9%	-1.8%
% Deadhead Time	8.4%	8.4%	9.7%	10.1%	19.5%
Unmet Scheduled RVM	8,358	8,885	4,971	6,849	-18.1%
Revenue Vehicle Miles / Total Vehicle Miles	83.5%	84.0%	83.9%	83.9%	0.5%
Vehicle Operations Cost per RVH	\$80.64	\$80.60	\$80.55	\$81.74	1.4%
Vehicle Operations Cost per Passenger Trip	\$2.39	\$2.60	\$2.84	\$2.89	20.7%
Vehicle Operations Cost per Passenger Mile	\$0.68	\$0.76	\$0.83	\$0.74	8.4%
Average Passenger Miles per Passenger Trip	3.5	3.4	3.4	3.9	11.3%
Preventable Crashes per 100,000 Total Vehicle Miles	0.57	0.71	0.90	0.79	39.2%
Average Service Speed	38.5	37.1	35.2	35.6	-7.4%
On-Time Performance	86.7%	86.1%	85.8%	84.9%	-2.0%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Sources: NTD Reports, Budgets, CAFRs, Transit Division Quarterly Performance Measurement Reports

Generally, the vehicle maintenance indicators as shown in **Table 5-12** remained relatively steady over the audit period. Noteworthy changes in maintenance indicators include:

- Significant drops in the aggregate numbers of maintenance FTEs, maintenance costs, peak and total vehicles, and roadcalls occurred as OCTA implemented its OC Bus 360 program and shifted service to purchased transportation.
- OCTA replaced aging articulated diesel buses with 60-foot CNG buses and replaced over 200 LNG buses with CNG buses. OCTA also conducted a significant number of engine overhauls.
- The most significant reliability measure is miles between roadcalls. OCTA's standard for miles between roadcalls is 14,000, meaning each revenue vehicle regardless of vehicle type is expected to run 14,000 miles for each roadcall. For directly operated service, reliability of the fleet varied

substantially. The worst performance of the audit period was in FY16, when the number of engine-related, electrical and charging system failures impacted reliability (11,371 miles between roadcalls). At that time, the fleet included 2000 and 2001 vintage LNG buses that were becoming more unreliable (as well as becoming costlier for parts). Many vehicles were approaching mid-life intervals which contributed to the numbers as well. Reliability during FY17 and FY18 has been much improved, owing no doubt to the CNG vehicle replacements and to the replacement of engines.

- Maintenance labor costs calculated per mile and per maintenance FTE increased 18.4% and 22.0%, respectively, significantly over the 8.4% CPI change. Despite these increases, retention and recruiting in the maintenance ranks remained a challenge during the audit period.
- The cost of parts per vehicle was steady in FY15 and FY16, then dropped significantly in FY17 and FY18. The total drop was over 32%, a very good trend. The main culprit for the higher cost for parts was the older LNG buses OCTA was using in the first two years. In addition, OCTA faced obsolescence issues and in some cases had to manufacture vaporizers when the supplier could no longer provide them. Another contributing factor was the number of buses and equipment under warranty in FY18.
- The spare ratio is calculated as the difference between the active fleet and the peak fleet divided by the peak fleet. The data are taken from OCTA's NTD which identifies Vehicles Available for Maximum Service and Vehicles Operated in Maximum Service for each year. For directly operated fixed-route service the spare ratio increased from 15.1% in FY15 to 19.6% in FY18. FTA guidance is to keep the ratio below 20%. During FY17, OCTA's spare ratio fell to 8.7% due to the decision to retire 40 2000-01 LNG buses from the fleet following the October 2016 service change. The buses were operating several years over their useful lives; OCTA was eager to retire the buses given their poor reliability and increasing cost to maintain.

Table 5-12 – Directly Operated Fixed-route Bus, Vehicle Maintenance Performance Indicators FY 2015 to FY 2018

Base Data and Performance Indicators	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Maintenance FTEs	184.1	170.1	167.0	152.4	-17.2%
Maintenance Costs	\$31,401,550	\$29,579,933	\$26,580,162	\$26,918,297	-14.3%
Maintenance Labor Costs	\$10,728,133	\$10,239,975	\$10,260,051	\$10,837,647	1.0%
Maintenance Parts Costs	\$6,878,908	\$6,747,436	\$4,209,152	\$3,899,440	-43.3%
Total Vehicle Hours	1,226,398	1,139,676	1,093,742	1,062,918	-13.3%
Total Vehicle Miles	15,804,505	14,627,491	13,927,507	13,479,770	-14.7%
Peak Vehicles	299	272	263	240	-19.7%
Total Vehicles	344	317	286	287	-16.6%
Roadcalls, Mechanical (Valid Calls Only)	1,183	1,286	963	998	-15.7%
Vehicle Hours per Maintenance FTE	6,661	6,700	6,549	6,974	4.7%
Vehicle Miles per Maintenance FTE	85,836	85,991	83,397	88,449	3.0%
Vehicles per Maintenance FTE	1.87	1.86	1.71	1.88	0.8%
Maintenance Labor Cost as % of Maint. Costs	34.2%	34.6%	38.6%	40.3%	17.8%
Maintenance Cost per Vehicle Hour	\$25.60	\$25.95	\$24.30	\$25.32	-1.1%
Maintenance Cost per Vehicle Mile	\$1.99	\$2.02	\$1.91	\$2.00	0.5%
Maintenance Cost per Active Vehicle	\$91,284	\$93,312	\$92,938	\$93,792	2.7%
Maintenance Labor Cost per Total Vehicle Mile	\$0.68	\$0.70	\$0.74	\$0.80	18.4%
Maintenance Labor Cost per Maintenance FTE	\$58,265	\$60,198	\$61,436	\$71,112	22.0%
Parts Cost / Total Vehicles	\$19,996.83	\$21,285.29	\$14,717.31	\$13,586.90	-32.1%



Base Data and Performance Indicators	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Average Miles per Vehicle	45,943	46,144	48,698	46,968	2.2%
Total Vehicle Miles Between Roadcalls	13,356	11,371	14,464	13,512	1.2%
Vehicle Hours per Active Vehicle	3,565	3,595	3,824	3,704	3.9%
Vehicle Miles per Active Vehicle	45,943	46,144	48,698	46,968	2.2%
Spare Ratio	15.1%	16.5%	8.7%	19.6%	30.1%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Sources: NTD Reports, Budgets, CAFRs, Fleet Reports, Transit Division Quarterly Performance Measurement Reports

OCTA did conduct a maintenance study during the audit period in 2017. The scope was multi-faceted, including review of OCTA's preventive maintenance program, major maintenance and midlife overhaul program, useful life and fleet replacement, and contingency fleet performance and best practices. Of these, the useful life and fleet replacement component was somewhat controversial and future research is recommended given OCTA's decision to move to an 18-year bus life and the upcoming zero emissions requirements.

As expected, Administration performance indicators shown in **Table 5-13** fluctuated less than the operations and maintenance performance indicators.

- During the audit period, fixed-route administration costs diminished 3.4% in line with FTE reductions (3.9% decrease). Efficiency and effectiveness indicators per Administration FTE were adversely affected by the reduction in service. This inconsistency is a result of OCTA's need to retain administrative staff for oversight. Administration staff is not as linearly proportional or elastic to changes in service provision, as are operators or mechanics and service workers.
- Passenger complaints per 100,000 boardings decreased 13.7% from 4.36 to 3.76. The standard used by OCTA for directly operated service is one complaint per 20,000 boardings. OCTA met this standard for each quarter every quarter of each of the audit period, with exception of the first quarter of FY16. The performance was remarkably stable between FY2015-2017. The customer satisfaction performance for FY18 is commendable.

*Table 5-13 – Directly Operated Fixed-route Bus, Administration Performance Indicators FY 2015 to FY 2018*

Base Data and Performance Indicators	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Administration FTEs	104.1	102.1	107.0	100.1	-3.9%
Administration Costs	\$22,989,181	\$28,517,096	\$24,512,680	\$22,217,623	-3.4%
Revenue Vehicle Hours	1,123,164	1,043,728	987,471	956,029	-14.9%
Revenue Vehicle Miles	13,202,024	12,287,765	11,688,772	11,312,975	-14.3%
Revenue Vehicle Hours per Administration FTE	10,785	10,225	9,225	9,549	-11.5%
Revenue Vehicle Miles per Administration FTE	126,773	120,378	109,193	112,998	-10.9%
Complaints per 100,000 Boardings	4.36	4.39	4.37	3.76	-13.7%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

### 5.3.2. CONTRACTED FIXED-ROUTE SERVICE

OCTA's contracted fixed-route service is operated by First Transit from OCTA's Sand Canyon base in Irvine, and since 2015, from OCTA's Anaheim base. The routes that operate from this base are primarily local routes in southern and northern Orange County, but also include commuter express routes and StationLink routes that provide connections for Metrolink commuters.

In 2015, OCTA entered into a four-year contract with two, 2-year options with First Transit to operate fixed-route commuter and regular bus service. At the beginning of the audit period, First Transit carried approximately 25% of OCTA fixed-route passengers with 35% of the revenue hours provided. At the end of the audit period, First Transit carried 31% of the passengers with 40% of the revenue hours provided. The CBP assumes that the current allocation of service between directly operated and contracted will remain the same for the foreseeable future.

Under the terms of the contact, OCTA pays a firm-fixed monthly rate plus a variable rate based on service levels. The contract establishes performance standards for on time performance, valid complaints, accidents, preventive maintenance, miles between road calls and missed trips. Incentives and penalties are applied depending on the achievement of the standards. The vehicles and facilities continue to be owned by OCTA therefore are considered OCTA assets.

For purchased transportation, the audit period saw significant increases in service provision and the number of passengers served, and operating cost increases (**Table 5-14**). Future audit periods should not experience such major changes. Cost efficiency, measured by the operating cost per revenue vehicle hour, improved 6.3% over the audit period. First Transit's operating cost per revenue vehicle hour was \$99.01 in FY18. This is 61% of the \$133.13 experienced by directly operated service.

Cost effectiveness, measured by the operating cost per passenger, improved 6.5%, due to the greater increase in passengers in the last several years in the audit period.

The productivity of purchased fixed-route service was flat on a revenue hour basis. However, when measured on a revenue mile basis, purchased fixed-route service productivity improved 10.2%. Passengers per revenue mile increased from 1.09 to 1.20. This increase is likely because of the denser nature of the Northern Orange County that First Transit is now serving.

*Table 5-14 – Purchased Transportation Fixed-route Bus, TDA Performance Indicators FY 2015 to FY 2018*

Verified TDA Statistics & Performance Indicators	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Operating Costs	\$51,294,366	\$59,257,180	\$62,126,861	\$63,859,846	24.5%
Unlinked Passengers	9,187,083	10,890,617	11,930,930	12,237,469	33.2%
Revenue Vehicle Hours	485,358	580,876	640,742	644,993	32.9%
Revenue Vehicle Miles	8,466,497	9,830,906	10,301,780	10,228,495	20.8%
Operating Cost per Revenue Vehicle Hour	\$105.68	\$102.01	\$96.96	\$99.01	-6.3%
Operating Cost per Passenger	\$5.58	\$5.44	\$5.21	\$5.22	-6.5%
Passengers per Revenue Vehicle Hour	18.93	18.75	18.62	18.97	0.2%
Passengers per Revenue Vehicle Mile	1.09	1.11	1.16	1.20	10.3%

% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%
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(a) TDA operating costs exclude depreciation, charter, purchased transportation costs  
Source: NTD Reports, State Controller Reports

Additional performance indicators for contracted fixed-route service are shown in **Table 5-15**. Noteworthy results include:

- The length of passenger trips increased by almost 11%, as OCTA began assigning longer routes to First Transit that were run from the Anaheim base. The percent of deadhead time was reduced 13.1%, improving cost efficiency.
- Preventable crashes per 100,000 total vehicle miles decreased by 65.2%, a wonderful trend.
- Complaints per 100,000 boardings decreased by 24.4%, indicating improved customer satisfaction with the services being provided by the operator.
- As First Transit has taken on more revenue hours and routes, on-time performance varied but for the most part remained under OCTA's 85% standard. An OCTA internal audit revealed an issue with the measurement of OTP that resulted in the contractor avoiding OTP penalties between March and December 2016. This has since been addressed. On-time performance should be tracked to ensure that the contractor meets OCTA's performance target of 85% and penalties be assessed for each full percentage below 84%.
- The average passenger fare decreased from \$1.50 to \$0.90. There could be different factors behind this decline including passenger sales revenue, interagency revenues, but it would make sense to examine the systemwide trends.

Table 5-15 – Purchased Transportation Fixed-route Bus, Additional Performance Indicators FY 2015 to FY 2018

Operations Data	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
Total Cost - Contracted Fixed Route	\$51,294,366	\$59,257,180	\$62,126,861	\$63,859,846	24.5%
Purchased Transportation Cost	\$31,873,322	\$33,427,029	\$35,506,620	\$37,245,064	16.9%
Revenue Vehicle Hours (RVH)	485,358	580,876	640,742	644,993	32.9%
Revenue Vehicle Miles (RVM)	6,412,449	7,560,704	8,071,108	8,045,204	25.5%
Total Vehicle Hours	565,961	669,369	731,125	736,092	30.1%
Total Vehicle Miles	8,466,497	9,830,906	10,301,780	10,228,495	20.8%
Unlinked Passenger Trips	9,187,083	10,890,617	11,930,930	12,237,469	33.2%
Passenger Miles	40,359,598	46,425,423	48,590,826	47,952,686	18.8%
Total Vehicles	226	240	242	259	14.6%
Purchased Transportation as a % of Total Costs	62.1%	56.4%	57.2%	58.3%	-6.1%
Total Vehicle Miles / Total Vehicles	37,462	40,962	42,569	39,492	5.4%
Passenger Miles per Passenger Trip	4.39	4.26	4.07	3.92	-10.8%
% Deadhead Time	14.2%	13.2%	12.4%	12.4%	-13.1%
Preventable Crashes per 100,000 Total Vehicle Miles	0.93	0.64	0.45	0.32	-65.2%
Complaints per 100,000 Boardings	14.51	18.39	13.62	10.98	-24.4%
Average Service Speed	34.9	34.49	33.34	32.65	-6.6%
On-Time Performance	N/A	84.6%	82.3%	83.7%	N/A
Average Passenger Fare	\$1.50	\$1.08	\$0.97	\$0.90	-40.3%

Operations Data	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-FY18
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: NTD Reports

## 5.4. DEMAND RESPONSE OPERATIONS

In 1993, OCTA implemented ACCESS, which began providing complementary paratransit service for individuals unable to use the fixed route system. This service was mandated by the Americans with Disabilities Act (ADA) of 1990. The service is based on advanced reservation for persons who have been certified as ADA eligible.

In Orange County, three types of service are available to ADA-eligible ACCESS riders:

- Standard curb-to-curb service – provided within ¾-mile of the OC Bus Service
- Subscription service – provided for customers who travel consistently on specific days of the week/time/destination
- Same-day taxi service (SDT) – provided as a non-ADA service to supplement conventional ACCESS

OCTA provides ACCESS services through a contract with MV Transportation, Inc. (MV) and its subcontractor, Yellow Cab of Greater Orange County (Yellow Cab). OCTA directly contracts with another taxi company to provide non-ADA same-day taxi service. The MV contract is typically a competitively-bid contract and the service provider is paid by the operator a fixed monthly rate plus a variable rate based on RVH, as it is for the fixed-route contracted service. OCTA provides a fleet of 248 for paratransit services and has kept this number during the audit period. OCTA aims to maintain a fixed fleet size and accommodate additional demand through use of the MV subcontract with Yellow Cab. Additionally, any trips provided by SDT in lieu of prioritizing the trip on ACCESS also helps manage the demand for ACCESS trips. The aim is to create more efficiencies in providing services without requiring additional OCTA-owned vehicles.

MV was contracted for operations from July 1, 2013 through June 30, 2017 with two two-year option terms. The maximum obligation for the contract is \$156,690,376. OCTA pays MV a fixed monthly rate plus a variable rate per revenue vehicle hour (RVH) as well as Yellow Cab's per-trip rate for supplemental service. OCTA exercised the first option term in June 2017 to extend the contract to June 2019 (the maximum obligation at the time was increased by \$90,982,108).

OCTA assesses the performance of the contractor providing services on a quarterly basis. As established in the contractual agreement, OCTA assesses both incentives and penalties based on performance in a variety of categories. For FY 2018, \$73,300 in penalties were assessed to the contractor for issues such as: customer comments; call center hold times; excessively late trips; unreported accidents; and preventive maintenance issues.

OCTA has observed trends seen across the country, with a growing elderly population and a budget not proportionate to this trend. The OCTA's Transit Master Plan notes that 72% of ACCESS rides are made by customers under the age of 65. In Orange County, the growing senior population and the growing number

of disabled working-age adults are both factors in the increase of paratransit demand. In response to growing demands, OCTA amended MV's contract to both increase its maximum obligation for contracted services with MV in FY16 and reimburse MV for increased call center services for same-day taxi in FY18.

Working with MV, OCTA has continued to move towards creating solutions to maintain and improve ACCESS service quality and cost effectiveness. Some of these include:

- OCTA has ramped up internal auditing of contractors both from the administrative and service perspective:
  - Administratively, OCTA has made it a priority to review training files of new employees (drivers, dispatchers, road supervisors, etc.) to ensure proficiency, review phone calls to ensure there are no service denials (Trapeze does not keep track of this information), and that a selection of complaints is investigated for appropriate conduct and actions.
  - Service-wise, OCTA has started a route efficiency review of traditional paratransit routes to identify inefficiencies in routing.
- As a growth management strategy, OCTA oversees and funds programs designed to provide alternatives and mitigate the cost of conventional ACCESS service for seniors and persons with disabilities. Same-day taxi service is scheduled the day and time a customer wishes to travel. The fare is the same as the ACCESS fare (currently \$3.60) for a five-mile ride and OCTA subsidizes the rest of the trip. Any costs beyond the five-mile ride are to be paid by the OC ACCESS customer.

Operating costs per passenger for demand response using traditional vehicles is about ten times higher than for the demand taxi service, as shown in **Table 5-16**:

*Table 5-16 – Demand Response, Operating Cost per Passenger FY 2015 to FY 2018*

Data	Base Year FY15	Audit Review Period			% Change FY15-18
		FY16	FY17	FY18	
Demand Response (Paratransit) Operating Cost per Passenger	\$40.81	\$43.81	\$44.56	\$45.41	11.3%
Demand Taxi Operating Cost per Passenger	\$3.78	\$4.11	\$4.11	\$4.19	10.8%

Source: NTD Reports

**Table 5-17** illustrates recent performance trends for demand response. During the audit period, OCTA observed higher operating costs (up 6.9%, a little below inflation of 8.4%), and experienced small declines in the number of passengers, revenue vehicle hours and revenue vehicle miles. The big drop in ridership (about 175,000 passengers) occurred between FY16 and FY17, and ridership increased a little in FY18 to about 1.6 million passengers.

Between FY15 and FY18, the operating cost per revenue vehicle hour increased by 9.0%, just above inflation rate. Operating cost per passenger increased at a higher rate, 11.3%, largely due to the decrease in overall number of passengers between FY15 and FY18.

The productivity of the ACCESS service provided, measured by passengers per revenue hour and per revenue miles decreased by 2.0% and 0.9%, respectively. This trend aligns with the decrease in unlinked passenger trips for OCTA's demand response services.

Table 5-17 – Demand Response, TDA Performance Indicators FY 2015 to FY 2018

Verified TDA Statistics & Performance Indicators	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Operating Costs	\$69,971,526	\$78,207,672	\$71,814,545	\$74,799,254	6.9%
Unlinked Passengers	1,714,587	1,785,322	1,611,573	1,647,378	-3.9%
Revenue Vehicle Hours	759,596	755,241	727,265	744,746	-2.0%
Revenue Vehicle Miles	12,350,858	12,625,832	11,934,186	11,969,770	-3.1%
Operating Cost per Revenue Vehicle Hour	\$92.12	\$103.55	\$98.75	\$100.44	9.0%
Operating Cost per Passenger	\$40.81	\$43.81	\$44.56	\$45.41	11.3%
Passengers per Revenue Vehicle Hour	2.26	2.36	2.22	2.21	-2.0%
Passengers per Revenue Vehicle Mile	0.14	0.14	0.14	0.14	-0.9%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

(a) TDA operating costs exclude depreciation, charter, purchased transportation costs  
Source: NTD Reports

OCTA's demand response farebox recovery was stable during the audit period, at around 9.0%. Farebox revenues kept pace with operating costs.

Table 5-18 – Demand Response, TDA Performance Indicators FY 2015 to FY 2018

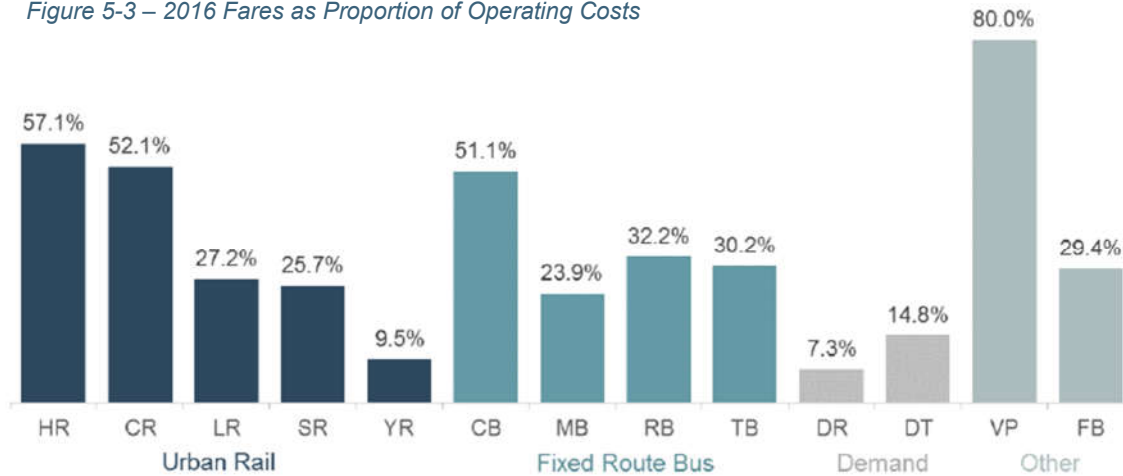
Date Item and Farebox Ratio	Base Year FY15	Audit Review Period			% Change FY15-FY18
		FY16	FY17	FY18	
Farebox Revenues	\$6,370,238	\$6,614,234	\$6,986,942	\$6,758,066	6.1%
Operating Costs	\$69,971,526	\$78,207,672	\$71,814,545	\$74,799,254	6.9%
TDA Farebox Recovery Ratio (no local funds)	9.1%	8.5%	9.7%	9.0%	-0.8%

Source: NTD Reports

According to the National Transit Database's 2016 National Transit Summary and Trends, the average farebox recovery ratio for demand response services nationally was 7.3% and for demand response-taxi was 14.8%. OCTA's performance exceeds the national average for demand response farebox recovery ratio by almost 20%.

**Figure 5-3** below is a graphic showing these national statistics. “DR” means Demand Response and “DT” Demand Taxi.

*Figure 5-3 – 2016 Fares as Proportion of Operating Costs*



Additional performance indicators for demand response are provided in **Table 5-19**.

- Vehicle productivity, measured by the total vehicle miles divided by total vehicles, grew almost 13% over the audit period. This is because of the reduction in total current number of vehicles available for service diminished to just over 500, when it was a little over 600 at the end of FY16.
- OCTA can be commended for continuing to maintain and improve customer satisfaction. The standard for complaints is one per 667 boardings. Complaints per 1,000 passengers decreased by 29.7% from the base year. This statistic is likely a direct result from OCTA continuing to foster best practices regarding customer satisfaction. Recent initiatives included increasing the number of (random) phone and field observations for the demand response service, focusing on customer satisfaction.
- The accident rate increased 18.7% over the three-year audit period, with most of the increase occurring in FY17. The demand response service is considered very safe and well under the standard of one accident per 100,000 miles. Given the recent uptick in accidents, OCTA ought to have a discussion with its contractor to ensure adherence to all safety precautions.
- Average passenger fare from FY15 to FY18 increased by 10.4%, a bit higher than inflation. In February 2013, demand response fare increased to \$3.60. The higher number is likely due to the increase in trips being provided by the same-day taxi services, which are non-ADA demand response services. This specific service is \$3.60 for a five-mile trip, any costs beyond the five miles are paid by the ACCESS customer.

*Table 5-19 – Demand Response, Additional Performance Indicators FY 2015 to FY 2018*

Operations Data	Base Year	Audit Review Period			% Change
	FY15	FY16	FY17	FY18	FY15-18
Total Cost – Demand Response	\$69,971,526	\$78,207,672	\$71,814,545	\$74,799,254	6.9%
Revenue Vehicle Hours (RVH)	759,596	755,241	727,265	744,746	-2.0%
Revenue Vehicle Miles (RVM)	12,350,858	12,625,832	11,934,186	11,969,770	-3.1%
Total Vehicle Hours	819,018	832,363	797,877	809,726	-1.1%
Total Vehicle Miles	13,428,521	13,887,489	13,125,622	13,149,842	-2.1%
Unlinked Passenger Trips	1,714,587	1,785,322	1,611,573	1,647,378	-3.9%

Operations Data	Base Year FY15	Audit Review Period			% Change FY15-18
		FY16	FY17	FY18	
Passenger Miles	18,576,158	19,272,050	17,066,532	17,054,557	-8.2%
Total Vehicles	579	601	513	502	-13.3%
<b>Performance Indicators</b>					
Total Vehicle Miles / Total Vehicles	23,192.6	23,107.3	25,586.0	26,194.9	12.9%
Passenger Miles per Passenger Trip	10.8	10.8	10.6	10.35	-4.4%
% Deadhead Time	9.2%	11.3%	11.9%	11.9%	28.4%
Accidents per 100,000 Total Vehicle Miles	0.48	0.38	0.73	0.57	18.7%
Complaints per 1,000 Psgr Trips	1.48	0.99	1.12	1.04	-29.7%
On-Time Performance	94.5%	94.5%	95.0%	94.4%	-0.1%
Average Passenger Fare	\$3.72	\$3.70	\$4.34	\$4.10	10.4%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Source: NTD Reports, OCTA Transit Performance Measures Detailed Reports



## 6. RECOMMENDATIONS

Findings documented in previous sections of the performance audit indicate areas of positive performance as well as opportunities for improved compliance and improved effectiveness, efficiency, and economy of operations. More detailed recommendations are offered here to capitalize on improvement opportunities. Rather than viewing the recommendations as negative, they should be balanced against OCTA's many positive performance results during the performance audit review period, noted throughout this report.

The following recommendations are provided for consideration by OCTA:

### Recommendation 1: Continue to Improve Compliance with PUC Requirements from Changes in State TDA Law

- **Understanding of the Issue:** OCTA is fully in compliance with all PUC requirements, however there are actions that OCTA could take to improve the reporting of TDA.
- **Recommended Action:** It is recommended that OCTA consider implementing the following recommendations to improve compliance with PUC requirements for administering TDA funds:
  - a) Document the Operator Qualifying Criteria to use State Transit Assistance for operations:
    - OCTA conducts the eligibility test using audited performance and fiscal data. The results of eligibility and proportion of STA that can be allocated for transit operations and capital should be included in the staff report for STA allocations.
    - The operator qualifying criteria (i.e., eligibility test) should be described in the OCTA TDA Guidelines with an example of its application.
  - b) OCTA should update its Standard Assurances in the LTF claim to reflect TDA amendments from State legislation:
    - Changes to TDA were made from State legislation passed during the audit period. SB 508 (October 2015) and AB 1113 (July 2017) both included new provisions affecting operator compliance with State statute. These provisions include farebox recovery thresholds, and timelines for submittal of reports to the State Controller's Office.

The Standard Assurances checklist in the OCTA LTF claim form identifies several TDA compliance areas that OCTD signs off as conditions of receiving LTF revenue. The current checklist shows farebox and local support ratios that are no longer applicable such as conforming to thresholds set from the base FY 1978-79 year. The new laws deleted these older ratios and only require OCTD to meet a 20% fare and local support ratio. In addition, the new law extended the timeline to submit the 90-day annual report to the State Controller to 7 months. These changes should be made to be consistent with the TDA statute.
- **Expected Results:** OCTA should demonstrate improved reporting of recent changes to state TDA law including improvements to its TDA Guidelines, and greater formatting consistency with the claims forms.

#### MANAGEMENT RESPONSE (F&A):

OCTA staff will document the calculations used to determine the portion of STA funds to be allocated for operations and capital and will include the allocated amounts for operations and capital in the staff report. In addition, OCTA staff will update the OCTA TDA Guidelines to reflect the operator qualifying criteria. Staff will also update the OCTA LTF claim form to be consistent with TDA statute based on the passage of SB 508 and AB 1113.

## Recommendation 2: Seek Opportunities to Increase Ridership

- **Issue/Opportunity:** Ridership growth is no longer tied to the health of the regional economy. OCTA's ridership fell significantly from FY15 to FY18, by about 16%. Ridership, however, appears to have stabilized in FY18. While it's too early to predict a bottoming out effect, the combined effects of OC Bus 360 also appear to have "right sized" the service for today's environment. Other initiatives such as mobile ticketing, OC Flex and college partnerships show promise. Reduced ridership negatively affects OCTA's mission. Seeking opportunities to increase ridership ought to continue during the next audit period.
- **Recommended Actions:** Proposed next steps include:
  - a) Play out OC 360 bus strategy and implementation
  - b) Document efficacy of alternative ridership boosting strategies (college passes, mobile ticketing, etc.)
  - c) Determine ridership measurement approach for OC Flex and consider expansion of the program
  - d) Strengthen regional partnerships by collaborating on plans for increased intercounty transit trips between OC, Riverside, San Bernardino, and Los Angeles counties.
- **The Expected Results:** Ridership growth should be observed during the next audit period, as a result of strategically planned reallocations in OCTA services, increased college student ridership, intercounty trips and increased system integration.

### MANAGEMENT RESPONSE (Operations/Planning):

- a) OCTA continues to implement additional strategies consistent with the OC Bus 360 initiative. Recent examples are the updated mobile ticket app, expanded college pass program, and additional Project V grants. Staff is proposing additional bus service reallocation in FY19-20.
- b) OCTA will continue to report ridership in the quarterly performance measures report presented by Operations and the twice annual OC Bus 360 update. Where possible, staff will highlight how specific efforts have impacted ridership. An example is ridership growth attributed to route improvements or the college pass program. Some efforts including rebranding, marketing, and mobile ticketing are difficult to measure ridership impacts. OCTA will continue to compare ridership to peer agencies to determine overall if local strategies are collectively effective.
- c) OCTA management will provide the OCTA Board with a review of the pilot program in early 2020 and evaluate how this micro-transit service model can be used to supplement OCTA's existing bus system network, which could include the continuation of the service, the expansion of the service, reconfiguration of the current service provided, or a discontinuation of the service.
- d) OCTA works with the neighboring counties on regional transit issues. Examples include active participation in regional transit coordination meetings, participation in the SCAG Regional Transit TAC, and assistance in planning studies for neighboring agencies. OCTA will be conducting a LA-OC county transit connections study starting in 2019. This study will develop recommendations to coordinate both short and long-term transit projects between the counties. OCTA also participates in the Metrolink service planning and regional vanpool programs which have had the most success in growing intercounty transit trips.

### Recommendation 3: Maximize Local Support Revenues

- **Issue/Opportunity:** OCTA uses Low Carbon Transit Operations Program (LCTOP) as part of its fare revenue assumptions. OCTA offers promotions to its riders and offsets the lost revenue with LCTOP dollars. For example, an all-day ticket normally costing \$5 is offered at \$4 and backfilled with \$1 of LCTOP funding. A similar process is performed with some passes. In FY18, OCTA received \$3.34 Million in LCTOP funds, and used about one quarter of it, \$886,000, for fare revenue subsidies. Initially, one of the intents of the LCTOP legislation was that it would be legitimate to use it as a fare subsidy. LCTOP is a state revenue but incorporating as a local revenue is a grey area with arguments on both sides. It is possible that in the future, the use of LCTOP in the calculation of farebox recovery will no longer be accepted. Local support revenues include those identified in the TDA statute: auxiliary transportation revenues, taxes levied directly by transit system, local cash grants and reimbursements, local special fare assistance and subsidy from other sectors of operation.
- **Recommended Actions:** OCTA should continue to develop an aggressive program to pursue local support revenues because state legislation SB 508 is now allowing local funds to be used in the calculation of farebox recovery.
- **Expected Results:** Maximization of local support revenues.

#### MANAGEMENT RESPONSE (F&A):

OCTA staff has been and will continue to seek additional local funds to support farebox revenue for the bus system. OCTA currently augments farebox revenue with local revenues such as property tax, advertising, fare stabilization funds and LCTOP funds. OCTA staff will continue to seek local funds to support farebox revenue to the extent additional sources become available and are eligible under SB508.

### Recommendation 4: Document Sources for Farebox Recovery Ratio

- **Issue/Opportunity:** SB 508 marked a paradigm shift in how OCTA reports its farebox recovery ratio and potentially, impacting how often OCTA increases its fares. This TDA audit found consistent differences with what was included in the numerator and denominator for farebox recovery calculations between Performance Measurements Reporting (i.e., Quarterly reports) and data submitted to the National Transit Database. These differences are neither right nor wrong but it important to understand what they are. TDA's definitions are different than Federal definitions, so what ends up being included as Farebox Revenues (numerator) and Operating Cost (denominator) are different. LCTOP funds are included in Fare Revenue for Performance Measurements, but not for NTD reporting. Advertising revenue is considered a local fund for Performance Measurements but is considered a Directly Generated Fund for NTD reporting. The overall magnitude of the difference is typically under 4%, so up to a percentage point on a 25% farebox recovery.
- **Recommended Actions:** Update the TDA guidelines to identify the sources of data used in the calculation of farebox recovery and document these sources in applicable reports. OCTA also ought to annually revisit the fare increase assumptions, beyond the current CBP assumption of 2023 for the next increase.
- **Expected Results:** Clearer references for TDA rules and regulations and audit purposes.

#### MANAGEMENT RESPONSE (F&A):

Staff will update OCTA TDA guidelines to identify the revenue and expense sources used to calculate the farebox recovery ratio. OCTA staff revisits all revenue and expenditure assumptions for the bus program on an annual basis, which includes the timing and amount of any planned fare increase for the following 20-year period.

## Recommendation 5: Plan for Impacts of Longer Bus Lives and Clean Fleet

- **Issue/Opportunity:** During the completion of the Transit Asset Management Plan in 2018, OCTA revisited Useful Life Benchmarks (ULBs) including for its fleet. A decision to move to 18 years was made (up from the 14-year baseline). This assumption was carried forward in the Comprehensive Business Plan. Since that time, OCTA has backed off a little with the vision for a gradual increase of the bus fleet age, continuing to retire current vintage buses at 14 years but gradually increase to 15, 16, and 18 years to minimize risk. Separately, the California Air Resources Board (CARB) has issued new regulations requiring aggressive compliance to zero emissions fleets. There are significant trade-offs with the new fleet types (e.g., hydrogen fuel cell versus electric battery) including charge times and operational ranges. OCTA has not yet determined a course of action for this fleet change or a technology.
- **Recommended Actions:** There are two elements to this recommendation. Since the two elements are linked, it will behoove OCTA to conduct them in coordination with one another.
  - a) For a definitive resolution to fleet Useful Life Benchmarks, OCTA ought to build on existing work to document a strategic Fleet Plan and related documents supported by executive staff. The Fleet Plan ought to have a clear retirement plan year for each revenue vehicle in the inventory. The supporting analysis should carefully document what is included in a midlife interval and what components of the vehicle the midlife refers to. It should assess lifecycle cost data, including timing and number of midlife intervals for each fleet (for example, one midlife at 6 years, and a second one at 12 years). The analysis should address the tradeoff with fuller rebuild or restoration procedures. The lifecycle cost analysis should include full capture of maintenance costs between 12 years and the retirement time at 14-18 years (labor, cost of roadcalls and full cost of obsolescence for parts). The study ought to also recommend procurement strategies advantageous to OCTA such as potentially hardening specifications to increase warranty beyond 12 years for certain components or slowing down vehicle delivery schedules.
  - b) OCTA should develop an initial fleet and facility management plan reflecting current available and expected technology choices to address the expected technology mix (i.e., CNG, hydrogen, electric battery). This broad OCTA plan ought to investigate tradeoffs between the technologies (fuel cell, battery), operational compatibility, infrastructure lifecycle cost, vehicle lifecycle cost, and other factors (e.g., training, fire protection, and other safety considerations) before recommending a fleet mix and the timing for acquisitions. The study should include reaching out to operator peers who have had experience with longer lived buses and zero emissions technologies. In addition, CARB requires a separate plan for compliance by July 2020.
- **Expected Results:** Compliance with CARB requirements; management buy-in; updated Fleet Plan and Facility Management Plan, early assumptions input into CBP.

### MANAGEMENT RESPONSE (Planning):

- a. The Board approved OCTA's first Transit Asset Management Plan in 2018. Elements of this plan will be updated annually including the 20-Year Fleet Outlook. A new "Fleet Plan" as suggested would be duplicative of these efforts. Staff concurs that a data-driven analysis on the cost of keeping buses for 18 years would help determine if extending the useful life was cost effective. Staff intends to collect data on maintenance costs during years 14 thru 18 to help inform future decisions.
- b. OCTA will be developing a Zero-Emission Bus Rollout Plan before July 1, 2020 as required by the California Air Resources Board. The recommended actions will be addressed in this plan. It is important to note that OCTA has plans to operate a small sub fleet of both hydrogen fuel-cell and battery electric buses to gain local experience on both technologies.

## Recommendation 6: Demand Response – Set Up Recurring Route Efficiency Review Process

- **Issue/Opportunity:** Paratransit services, due to their inherent built-in flexibility in scheduling, have the opportunity to gain inefficiencies with scheduled pick-ups. Recently, OCTA has conducted a route efficiency review for established paratransit routes, and up to ten have been identified as having opportunities for restructuring. The opportunity is to instill a regular route efficiency review process.
- **Recommended Actions:** Develop recurring route efficiency review process. Determine appropriate level of engagement by OCTA and by the contractor staff to generate supporting data and analysis. Document results and implement changes accordingly.
- **Expected Results:** Increased efficiency and effectiveness for demand response services.

### **MANAGEMENT RESPONSE (Operations):**

As mentioned in the report, a route review has already been initiated. Staff will complete this and schedule route reviews on a regular basis going forward.

## Recommendation 7: Demand Response – Consider a Different Contracting Model

- **Issue/Opportunity:** Currently, OCTA limits the number of demand response services to a single contractor. The contractor, then, can hire subcontractors as is the case currently with same-day taxi service. Having multiple contractors (potentially based on geography of the county), could promote service efficiencies and grant OCTA more control.
- **Recommended Actions:** Proposed next steps include:
  - a) Benchmarking/limited industry review to investigate precedents and lessons learned
  - b) Assess cost benefits of working directly with multiple contractors
  - c) Depending on the outcome, build into the next contract the ability for OCTA to make adjustments to the contracting model
- **Expected Results:** OCTA should observe a more competitive overall cost for service. Another potential for results is the ability for the contractor to provide more trips.

### **MANAGEMENT RESPONSE (Operations/Planning):**

OCTA will be developing a “Paratransit Sustainability Strategy” in FY19-20. This effort will include reviews of operation policies and outcomes for peer paratransit agencies. The current agreement for the provision of OC ACCESS services will expire on June 20, 2020. Over the next few months, OCTA will be developing a scope of work for this procurement and will consider the impacts of changing the method of compensation as well as the role that multiple contractors could play in delivery of the service going forward.

# **FY16-FY18 TDA Performance Audit Laguna Beach Municipal Transit Lines**

PREPARED FOR



ORANGE COUNTY TRANSPORTATION AUTHORITY

**APRIL 2019** | **FINAL**

Prepared By:

**Kimley»»Horn**

In association with

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# Introduction

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## 1.1 Performance Audit Scope and Methodology

Triennial performance audits are a requirement for the continued receipt of California Transportation Development Act (TDA) funds for public transit under California Public Utilities Code (PUC) Section 99246.

This performance audit is administered by the Orange County Transportation Authority (OCTA) and prepared by Kimley Horn in association with Michael Baker International. This report represents the state-mandated performance audits of the City of Laguna Beach (City) as transit operator through its Laguna Beach Municipal Transit Lines (Laguna Beach Transit, LBMTL) program. The audit covers the period from July 1, 2015, through June 30, 2018 (i.e., FY16–FY18).

The objective of the performance audit is to assess compliance with PUC requirements, identify significant achievements as well as opportunities for improvement, and provide recommendations for short- and long-term efficiency and effectiveness improvements. The TDA triennial performance audit of Laguna Beach Transit covers:

- Compliance with pertinent sections of the PUC
- Progress to implement prior performance audit recommendations
- Agency goals and objectives and performance monitoring systems
- System-wide and functional area performance trends
- Conclusions and recommendations

### 1.1.1 Performance Audit Scope

The performance audit is intended to provide an objective assessment of Laguna Beach Transit's performance and serve as a useful management tool. Significant accomplishments and positive performance trends are discussed as well as opportunities for improvement, thereby providing a balanced perspective on overall operator performance. Laguna Beach Transit and OCTA should be able to use the performance audit results to:

- Satisfy state requirements.
- Verify that Laguna Beach Transit is making satisfactory progress in implementing recommendations to improve effectiveness and efficiency.
- Verify that operator productivity is improving.
- Identify opportunities to further improve productivity and fully comply with the TDA statute.

### 1.1.2 Methodology

Interviews and site visits were an integral part of the LBMTL performance audit. Interviews were conducted with LBMTL and transit-related services staff responsible for the management and oversight of the program. They included the deputy director of Public Works (Transit & Parking Division), senior administrative analyst, transit supervisor, senior fleet maintenance supervisor, and finance officer. Site visits were conducted at the City of Laguna Beach Corporation Yard located at 1900 Laguna Canyon Road, and at the City of Laguna Beach City Hall located at 505 Forest Avenue.

A variety of documents and data were reviewed and analyzed:

- Organization and staffing charts
- Financial audits and State Controller Reports, FY15–FY18
- National Transit Database Reports, FY15–FY18



- City of Laguna Beach Adopted Budget, FY14–15 through FY18–19
- City of Laguna Beach TDA claim forms FY15–FY18
- Agenda Item to extend Paratransit Services Agreement with OCTA, dated August 6, 2013
- Agreements with OCTA to operate the Laguna Beach Transportation Center
- TDA Performance Measurements for Mainline & Summer Festival Shuttle Services
- Cooperative Agreement C-3-1846 with OCTA, dated May 20, 2014
- Cooperative Agreement C-7-1717 with OCTA, dated May 22, 2017
- Cooperative Agreement C-6-1447 with OCTA, dated May 25, 2017
- Agenda Item to extend Agreement with Sally’s Fund, Inc. to provide senior transportation services, dated July 24, 2018
- Annual agreements and invoices for temporary bus drivers with Transdev Services, Inc.
- Samples of Routine Performance Reports used by managers
- CHP Terminal Inspection and Pull-Notice Reports
- Maps and brochures regarding services offered
- City of Laguna Beach website ([http://www.lagunabeachcity.net/cityhall/transit\\_and\\_trolleys/](http://www.lagunabeachcity.net/cityhall/transit_and_trolleys/))
- Laguna Beach Transit Program: Service Analysis
- Transit vehicle inventory
- Prior TDA triennial performance audit
- Responses to prior performance audit recommendations

## 1.2 Laguna Beach Transit Overview

The transit program is administered through the Laguna Beach Department of Public Works. The Public Works Department maintains the City’s equipment and infrastructure and administers capital improvements. The department is budgeted for 57 full-time positions and Public Works is organized into five divisions, including the following:

- **Transit & Parking Division** is tasked with budgeting, administering, and operating the City's transit system. The division coordinates with OCTA on transit issues and funding as an intracity service provider. The division is headed by a deputy public works director and has six full-time staff. An additional 80 to 100 part-time staff are employed during the summer festival season. Summer part-time staffing is augmented with 15 contract drivers from Transdev Services, Inc. from late July to early September.
- **Public Facilities** has six full-time employees who are responsible for the routine repair, replacement, and maintenance of City vehicles and equipment. The division maintains over 200 pieces of equipment, including 27 transit vehicles.

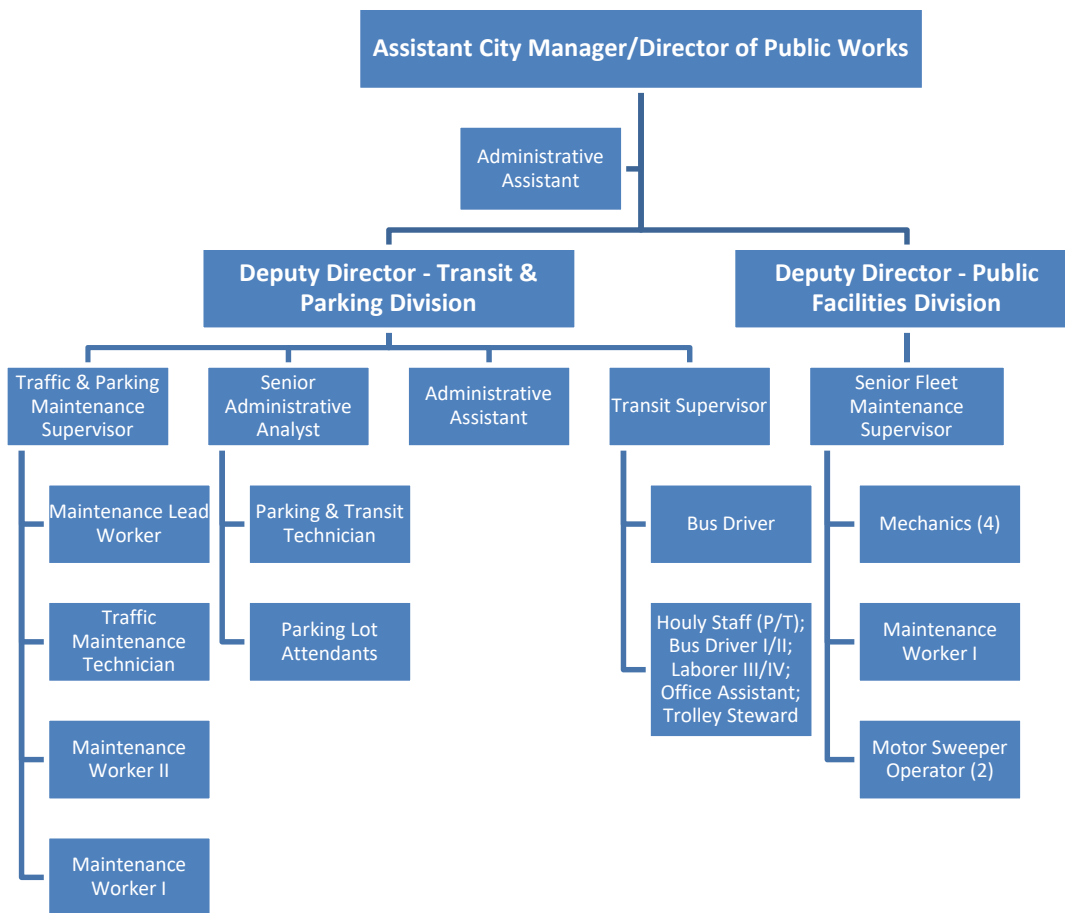
Although the Transit & Parking Division is under the direction of the Public Works Department, its operations depend upon other City departments and offices such as the City Council, City manager, and Administrative Services, which includes Finance. An organization chart on the following page shows the City personnel in Public Works involved with transit.

The Administrative Services department supports transit through the Finance and Personnel divisions:

- **Finance** performs all financial and accounting functions including preparing the City's annual budget, Comprehensive Annual Financial Report, and TDA claims, and coordinates agency audits.

- **Personnel** provides internal support to all departments including recruitment, selection, hiring, training, and orientation of all new employees.

FIGURE 1-1  
Organizational Chart



### 1.2.1 Transit Services

LBMTL operates various service modes catering to local riders and visitors. Neighborhood Mainline and Trolley services operate year-round whereas the seasonal Summer Festival Shuttle service operates from late June to late August. Some charter services are also provided during the spring leading up to the summer festival. The Summer Festival Shuttle service is designed to maximize public transit options for visitors during community arts festivals such as the Sawdust Art Festival, Art-A-Fair, and Festival of Arts/ Pageant of the Masters. The City received a Project V grant from OCTA for the operation of year-round, weekend trolley service, effective March 2015.

The City of Laguna Beach employs about 80 to 100 part-time seasonal employees to serve as transit drivers, supervisors, and maintenance staff for the Summer Festival Shuttle service. These employees complement existing full-time City of Laguna Beach transit staff that operate the Mainline service.

Most transit routes originate and terminate at the Laguna Beach Transit Depot, located downtown on Broadway Street, inland of Beach Street. The Transit Depot provides a central transfer location between LBMTL and OCTA regional buses and connecting Amtrak buses. The City also provides park-and-ride lots along the Summer Festival Shuttle routes which are served by both LBMTL and OCTA regional buses. All-day parking is provided at designated lots adjacent to City Hall and at the Act V parking lot along Laguna Canyon Road. Free parking is also provided during the summer along the South Route at the South Coast Medical Center weekdays after 5:00 p.m.

and all day on the weekends. Every Mainline bus stop features updated signage and schedules for all routes displayed in a weather-resistant cassette. The City enforces a zero graffiti and litter policy at all public facilities, including on buses and at bus stops.

Demand-response services are provided through ACCESS under contract with OCTA for persons who meet the Americans with Disabilities Act (ADA) eligibility criteria. Local demand-response service for seniors is provided through a contract between the City and a local transportation provider, Sally's Fund. Under the terms of the contract, the City pays Sally's Fund \$6,500 per month to operate a van, which the City owns and leases to Sally's Fund for \$1.00 annually. All trips are free for Laguna Beach seniors.

Supplemental transit services were offered to the general public through a taxi voucher program called Taxi Plus, which provided service to or from destinations that include at least the downtown area when the Mainline service is not in operation. The taxi voucher program was terminated in 2017 due to decline in usage and the rising popularity of transportation network companies such as Uber and Lyft. A pilot program in partnership with Uber was proposed in July 2017 to be marketed to seniors age 55 and older and persons with disabilities. The City later determined that such a pilot would be infeasible due to financial and technical obstacles.

All Mainline vehicles are ADA accessible and can accommodate up to two bicycles or surfboards up to 6 feet in length. Summer Festival Shuttle trolley vehicles are also ADA accessible and have wheelchair tiedowns. A summary of the LBMTL is presented in the table below:

TABLE 1-1  
LBMTL Fleet Inventory

Model	Make/Engine Type	Model Year	Quantity	Seating Capacity
Trolley – Golden Gate	Cable Car	2001	1	32
Trolley – Golden Gate	Freightliner	2001	1	32
Trolley – Golden Gate	CCCI	2002	1	32
Trolley – Golden Gate	Cable Car	2003	2	32
Trolley – Golden Gate	Cable Car	2004	1	32
Bus – El Dorado	Freightliner	2004	1	23
Bus – El Dorado MST II	El Dorado	2005	1	23
Bus – El Dorado MST II	El Dorado	2006	2	23
Molly Trolley	Freightliner	2010	4	32
Villager 228 Trolley	Villager	2014	6	32
Trolley	Villager	2015	3	32
Hometown Trolley – Short	Villager	2017	4	22
<b>Total Vehicles</b>			<b>27</b>	

Source: City of Laguna Beach, Capital Assets – Vehicles (Fund 128)

The fleet inventory is composed of a mix of vehicle types including trolleys and conventional motor buses. LBMTL support vehicles include two Toyota Priuses and one 8-passenger Ford van used by Sally's Fund.

### 1.2.1.1 Neighborhood Mainline Service

LBMTL operates two fixed Mainline route services year-round serving the principal commercial, residential, and tourist areas of Laguna Beach:

- **North Laguna/Laguna Canyon (Route 1):** Starts at the Transit Depot and travels on Laguna Canyon Road to the Boys and Girls Club, then through the North Laguna area.

- **South Laguna/Ritz (Route 2):** Starts at the Transit Depot and travels along South Coast Highway to the Ritz-Carlton Resort. Tripper service is provided along Park and Legion Streets during school hours.

Service during the week operates hourly between 6:30 a.m. and 6:30 p.m. Saturday service also operates hourly between the hours of 9:30 a.m. and 6:30 p.m. The Neighborhood Mainline service does not operate on Sundays or major holidays.

### 1.2.1.2 Neighborhood Trolley Service

In addition to the Neighborhood Mainline routes, LBMTL operates three fixed Neighborhood Trolley routes that operate daily, with late night service on Friday and Saturday, and all-day service on Sunday. These routes, commencing in 2016 as a pilot program, connect the hillside neighborhoods south of downtown with the Transit Depot:

- **Top of the World (Route 3):** This route starts at the Transit Depot and travels through the Top of the World neighborhood serving the high school and Thurston Middle School.
- **Blue Bird Canyon (Route 4):** This route starts at the Transit Depot and travels through the Blue Bird Canyon neighborhood serving the high school and Blue Bird Park. Tripper service is provided along Cleo and Legion Streets during school hours.
- **Arch Beach Heights (Route 5):** This route starts at the Transit Depot and travels through the Arch Beach Heights neighborhood serving the high school, Glenneyre/Pearl and Del Mar/Oro areas. Tripper service is provided along Cleo and Legion Streets during school hours.

The Neighborhood Trolley routes operate Monday through Thursday between 6:30 a.m. and 6:30 p.m. Friday service operates between 6:30 a.m. and 11:00 p.m. Saturday service operates between 9:30 a.m. and 11:00 p.m. Sunday service operates between 9:30 a.m. and 8:00 p.m. In addition to the designated bus stops, riders can flag the bus driver to be picked up along any Neighborhood Trolley route. Neighborhood Trolley services were implemented in June 2016.

### 1.2.1.3 Weekend Trolley Service

During the off-season, the City began operating two routes along the Coast Highway with extended hours on the weekends:

- **Short Coastal (Route 6):** Starts at the Transit Depot and travels on the Coast Highway to 7<sup>th</sup> Avenue/Mission Hospital.
- **Long Coastal (Route 7):** Starts at the Transit Depot and travels along South Coast Highway to the Ritz-Carlton Resort.

Friday service operates between 6:30 a.m. and 11:00 p.m. Saturday service operates between 9:30 a.m. and 11:00 p.m. Sunday service operates between 9:30 a.m. and 8:00 p.m. Weekend Trolley service was implemented in March 2015.

### 1.2.1.4 Summer Festival Shuttle Service

Three additional routes provide service for the Summer Festival Shuttle. The shuttle operates on three routes free of charge to riders from late June to late August:

- **Short Coastal Route:** Provides service along the Coast Highway making regular stops between North Cliff Drive to 7<sup>th</sup> Avenue/Mission Hospital. Service frequencies are every 20 minutes.

- **Long Coastal Route:** Provides service along South Coast Highway between the Transit Depot and the Ritz Carlton Resort Hotel. Key destinations include Sleepy Hollow Beach, Arch Cove, Treasure Island Park, and Aliso Creek Beach. Service frequencies are every 40 minutes.
- **Downtown Canyon Route:** Provides service along Laguna Canyon Road as well as to many key festival attractions and parking lots. This route makes stops at the Laguna College of Art and Design, Act V, the Transit Depot, Lot 10, Art-A-Fair, Festival of Arts/Pageant of the Masters, and the Sawdust Festival. Service frequencies are every 20 minutes.

The Summer Festival Shuttle is operated daily between 9:30 a.m. and 11:30 p.m. On Independence Day, the service operates on an abbreviated schedule from 9:30 a.m. to 7:00 p.m. Festival service between the Act V parking lot on Laguna Canyon Road and the Transit Depot commences daily at 8:30 a.m. Stops along the three routes are numbered and serve key attractions, hotels, and park-and-ride lots. The transfer point between the routes is the Transit Depot.

## 1.2.2 Fares

All services (Mainline and Summer Festival Shuttle) are free during the summer, but fares are charged on the Neighborhood Mainline services the rest of the year.

TABLE 1-2  
LBMTL Fares

<u>Fare Type</u>	<u>Fare</u>
<b>Neighborhood Mainline Bus</b>	
Adult Cash Fare	\$0.75
Senior Fare (age 65 & above)	\$0.30
Handicapped/Disabled	\$0.30
Medicare Card Carrier	\$0.30
20-Ride Pass	\$15.00
Monthly Pass (unlimited rides)	\$30.00
Children (under age 7 with an adult)	Free
Free Ride to Work Pass (50 rides)	Free
Low-Income Senior Pass	Free
<b>Summer Festival Shuttle and Mainline Bus</b>	
	Late June to late August
All Passengers	Free
<b>Charter Service</b>	
	September to mid-June
Trolley Rental (minimum 3 hours)	\$105/hour + \$105/each additional hour

## 1.3 Audit Period Accomplishments and Challenges

The City embarked on a series of initiatives designed to sustain the transit program through the implementation of expanded services, partnerships, technology, and hiring incentives. Many of these initiatives were developed and advanced through the hiring of new City staff with decades of transit industry experience. Over the years, LBMTL has been composed of two service modes: a year-round fixed-route Mainline bus service and free seasonal shuttle service operating during the annual Summer Arts Festival. Routes converge on City property at the Laguna Beach Transit Depot located downtown at 339 Broadway. The Downtown Laguna Beach Transit Center/Bus Depot is well designed to allow easy ingress and egress by both local and regional bus carriers (LBMTL, OCTA, and Amtrak bus connections).

During the audit period, the three existing Mainline routes were realigned and increased to five to better serve the residential neighborhoods. The three routes were previously branded as the Blue Route, Gray Route, and the Red Route. The Blue Route (Arch Beach Heights/Blue Bird Canyon) traveled from the Transit Depot via Glenneyre Street south to the Arch Beach Heights and Bluebird Canyon subdivisions. The Gray Route traveled from the Transit Depot to the Top of the World, Laguna Canyon, and North Laguna neighborhoods. The Red Route (Downtown/Ritz) traveled along the South Coast Highway between the Transit Depot and the Ritz Carlton. All three routes ran on hourly headways except for a two-hour gap between 11:30 a.m. and 1:30 p.m.

The City commissioned several studies to analyze the productivity of LBMTL and recommend new service provisions that would increase ridership and revenues. LBMTL performance during the audit period has seen increases in operating costs, vehicle service hours, and miles while ridership and revenues have decreased. In concert with the service analysis, the City implemented a few pilot services and Mainline service restructuring. The Mainline routes were realigned and rebranded to an enumerated format (Routes 1 through 5). The Neighborhood Mainline (Routes 1 & 2) services operate six days a week, covering the former Red Route and parts of the Gray Route (Laguna Canyon/North Laguna), whereas the remaining Mainline routes were reconfigured into a free Neighborhood Trolley service (Routes 3, 4, & 5), covering the former Blue Route and parts of the former Gray Route.

An initial draft of a service analysis was released in July 2014 and contained several service delivery alternatives. With the release and adoption of the *Laguna Beach Transit Program: Service Analysis* in November 2014, those recommendations were revised to reflect amended improvement strategies. To carry out these transit improvement strategies, the City applied for and was awarded Project V funds from OCTA. Project V is a competitive grant program administered through local county Measure M for local jurisdictions to develop bus transit services such as community-based circulators, shuttles, and bus trolleys that complement regional bus and rail services and meet needs in areas not adequately served by regional transit.

LBMTL, therefore, introduced a 15-week pilot Neighborhood Trolley service on June 20, 2016. The Project V grant application identified an initial target of 33,844 annual passengers. At the end of the pilot period, the service carried a total of 34,178 passengers. The Weekend Trolley service averages between 20 to 30 passengers per hour. Off-season coastal trolley routes were modified in late 2017. City staff reported that residents complained about trolleys not stopping at certain locations north and south of the Montage Laguna Beach resort. They suggested adjustments, such as adding more stops on the Limited Stop Coastal Route, which was renamed the Long Coastal Route.

LBMTL, in partnership with OCTA and the Irvine Company, implemented the Summer Breeze program in the summer of 2016. Funded through a Project V grant, the City contracts with OCTA to operate a free shuttle (OC Bus Route 689) from the park-and-ride lot adjacent to the SR-133 and I-405 interchange in Irvine to the Transit Depot during the summer months. The service operates Saturday and Sunday from late June to early September from 11:00 a.m. to midnight, every 30 minutes. Stops include the Sawdust Art Festival, Laguna Art-A-Fair, Festival of the Arts, Pageant of the Masters, Laguna Playhouse, and the Transit Depot. The Summer Breeze connects with the

Summer Festival Shuttle at the Transit Depot. Ridership during the first year of service was 5,500 passengers; 9,700 passengers in 2017; and 10,400 passengers in 2018.

With the demise of the Taxi Plus voucher program in 2017, the City engaged the transportation network company, Uber, about implementing a senior mobility pilot program in July 2017 that would offer discounted rides for seniors aged 55 and older and the disabled to any destination in Laguna Beach. Fifty percent of the ride cost, to a maximum of \$5.00, would be paid by the rider. The span of service would have been Monday through Thursday from 7:30 a.m. to 8:00 p.m.; Friday and Saturday from 7:30 a.m. to 11:00 p.m.; and Sunday from 7:30 a.m. to 8:00 p.m. Rides would be allowed up to 15 miles outside of Laguna Beach for medical purposes only; fifty percent of the cost of these rides, to a maximum of \$8.00, would be paid by the rider. After extensive research and due to technical and financial challenges, it was determined that implementation of the senior mobility services program with Uber would not be feasible.

The Summer Festival Shuttle continued to generate the most trips on the transit system. Nevertheless, LBMTL also experienced a decrease in ridership due to a 10 percent decrease in Summer Festival patronage. In partnership with the Laguna Beach Visitors & Conference Bureau, LBMTL introduced a “Trolley/Bus Tracker” application (app) in July 2012 that is accessible through the Visit Laguna Beach app and website. The app is available in iOS (Apple) and Android (Google Play) platforms. Using a GPS platform, the app tracks the location of the free trolleys in real time and updates every minute, with a goal to speed the update to every 30 seconds. App users know when their ride will arrive and are able to navigate their way through Laguna Beach. Funding is provided through advertisement on the app. In August 2017, enhancements that include predictive arrival times were made to the app.

In addition to the app, a color brochure outlining the Summer Festival Shuttle routes, running times, and coded stop locations is provided at tourist locations including hotels, retail and arts outlets, and restaurants. The brochure is intended to simplify and encourage the use of public transportation for visitors during the summer festival.

The City redesigned its website, including its transit page, to a more user-friendly and appealing format: [http://www.lagunabeachcity.net/cityhall/transit\\_and\\_trolleys/default.htm](http://www.lagunabeachcity.net/cityhall/transit_and_trolleys/default.htm). The site includes maps and schedules in PDF and links to the Trolley Tracker, park-and-ride information, senior transportation services, and OCTA schedules. LBMTL’s social media outreach includes a presence on Facebook and Instagram as well as mentions on NextDoor and local mommy blogs. Transit has its biggest presence on Instagram. Additional marketing efforts have included cable television commercial spots, flyers, outreach at community events and the “Hop On, Arrive Happy” campaign.

LBMTL transit vehicles operate along some narrow streets and amidst heavy traffic, resulting in a growing number of minor incidents including scratches, nicks, dented bumpers, and lost mirrors. Most of these incidents occur during the Summer Festival Shuttle service. The transit fleet includes several vehicle models. While this does not necessarily create significant challenges to the transit system, it does require transit staff to cultivate the knowledge and experience to ensure the vehicles’ proper inspection, operation, maintenance, and functionality. The newer trolleys that operate on the Neighborhood Trolley routes are smaller and easier to navigate through the narrow residential streets.

During the audit period, the Transit & Parking Division saw the hiring of its current deputy director and transit supervisor. The deputy director has been in the position for 2.5 years and has 20 years of transit management experience with various Southern California transit operators. The transit supervisor has been with the City for 2 years and has 20 years of transit experience, primarily at OCTA. The City reports that the transit supervisor position had been vacant for a time. Together, the deputy director and transit supervisor bring change to the City’s transit program with their respective experience and years in the industry.

The seasonal fluctuations in service provision also affect staffing. The weekday driver pool has been more consistent. There are two shifts during the week staffed by 12 drivers—11 part-time drivers and 1 full-time driver. Staffing on weekends averages between 17 and 34 drivers. Drivers are trained on all vehicles, routes, fueling procedures, and customer service.

The City has been looking into various employee retention incentives to ensure a stable driving pool to cover all the runs. LBMTL holds an end of summer employee appreciation barbecue as well as offering ice cream and pizza days incentives to encourage positive driver morale and for undertaking tasks such as passenger counts. LBMTL updated its *Standard Operating Procedures Manual* in November 2018 to include adjunct policies pertaining to accidents and absences. The City's Memorandum of Understanding with the Laguna Beach Municipal Employees Association covers administrative staff, mechanics, and supervisors.

During the audit period, the City took steps toward the implementation of equipment and technology upgrades. Performance metrics, such as on-time performance, have not always been consistently tracked and validated. As timely arrival and departure of the vehicles at bus stops has an impact on system effectiveness, LBMTL currently uses several methods to monitor on-time performance, including both manual and technology-based approaches. Implementation of computer-aided dispatching (CAD)/automated vehicle location (AVL) technology further improves the efficiency of on-time performance monitoring. In March 2017, the City Council approved a cooperative agreement with OCTA for Project V funding of up to \$230,000 toward the purchase of an Intelligent Transportation Solution to include CAD, AVL, automated passenger counter (APC), and automated voice announcement (AVA) systems. The existing AVL/GPS system was over six years old and in need of replacement.

The City developed project specifications and issued a request for proposals (RFP) for the technology upgrades. Six proposals were received, and three firms were interviewed. While not the lowest bid, DoubleMap was identified as having the most suitable qualifications based upon its experience, compatibility of product, and positive references. The DoubleMap system encompasses the following functionalities:

- Live tracking of all buses and routes
- Arrival estimates for dispatchers
- Passengers on board information
- Bus stop locations
- Auto passenger counting
- Performance data reporting: passengers, miles, hours, and on-time performance
- Bus spacing assistance for dispatch and bus drivers

In November 2018, the City awarded a five-year contract to DoubleMap in the amount of \$306,989 for a CAD/AVL system, including the AVA option to be implemented. Capital funds for the AVA option are also available in the Project V funding.



# Compliance Review

The compliance review assesses compliance with state mandates, including:

- Data collection and reporting procedures for the five TDA performance indicators required under PUC Sections 99246(d) and 99247.
- PUC requirements for transit operators.
- Progress to implement recommendations of the previous triennial performance audit.

PUC requirements verified as part of this performance audit include the compliance requirements for transit operators stipulated in Caltrans' *Performance Audit Guidebook*.

Compliance with PUC requirements and progress to implement prior audit recommendations are assessed as follows:

- PUC compliance:
  - Full compliance
  - Partial compliance (additional actions required to achieve full compliance)
  - Noncompliance
  - Not applicable
- Prior audit recommendations:
  - Fully implemented
  - Partially implemented (further progress is warranted)
  - Not implemented
  - Not applicable

## 2.1 Data Collection and Reporting

Data Item	Data Definition	Compliance Finding	Comments
Operating Costs	Total cost of providing transit services exclusive of capital costs, depreciation, direct costs of providing charter service, and vehicle lease costs.	Full compliance	Operating costs are collected and reported correctly and accurately, with capital, depreciation/ amortization, charter, and lease costs readily identifiable and verifiable. Charter and lease costs are noted in the State Controller Report data, whereas the depreciation/amortization costs are noted in the Comprehensive Annual Financial Report.

Data Item	Data Definition	Compliance Finding	Comments
Farebox Revenues	Revenue earned from carrying passengers, including base fare and transfer costs.	Full compliance	Farebox revenues include cash and multiple ride pass revenues, including the Free Ride to Work Program subsidy received from the South Coast Air Quality Management District.
Unlinked Passengers	Total number of unlinked passenger trips; total passenger boardings, whether revenue producing or not.	Full compliance	Unlinked passengers are the total number of passenger boardings. Passengers are counted manually for each service mode and categorized by type of fare paid. Passengers using Free Ride to Work passes are recorded separately from fare-paying adult passengers in driver assignment sheet and summary tables.
Total Vehicle Hours	Total hours of travel consumed in normal scheduled service, including deadhead to and from the service area.	Full compliance	Total vehicle hours are the total hours that revenue vehicles travel during a year, including scheduled deadhead. Trip sheets include driver start and ending time readings.
Vehicle Service Hours	Total hours that vehicles are in revenue service, from first to last scheduled stop. For demand response, includes times between first scheduled pickup and last scheduled drop-off.	Full compliance	Revenue hours are the total hours that vehicles are in revenue service each year. LBMTL reports data from the daily trip sheets. First and last stop times are recorded separately from starting and ending times (bus pull-out/in).
Total Vehicle Miles	The total distance traveled by transit vehicles, including both revenue miles and deadhead miles. Excludes miles traveled during operator training, maintenance work and testing, and charters.	Full compliance	Total vehicle miles are the total miles that revenue vehicles travel during a year, including scheduled deadhead. Trip sheets include start and ending odometer readings.
Vehicle Service Miles	Total number of miles traveled by vehicles in revenue service; excludes deadhead (i.e., travel to/from storage facilities, road calls).	Full compliance	Revenue miles are the total miles that vehicles are in revenue service each year. The procedure for determining revenue miles is comparable to that described above for vehicle service hours. Data are reported by LBMTL from the daily trip sheets. First and last stop mileage are recorded

Data Item	Data Definition	Compliance Finding	Comments
			separately from starting and ending mileage (bus pull-out/in).
Employee Full-Time Equivalents (FTEs)	2,000 person-hours of work in one year constitute one employee.	Full compliance	LBMTL calculates and reports FTEs based on pay hours.

Laguna Beach Transit is in compliance with the requirements for reporting financial and operating data.

LBMTL correctly reports operating costs and farebox revenues. Although some data differ between annual reports such as State Controller, National Transit Database (NTD), and fiscal audits due to use of unaudited versus audited information as well as different reporting instructions, the data are verifiable and reconcilable:

- Capital expenditures, depreciation, and charter and vehicle lease costs are identifiable and have been excluded from operating costs for purposes of calculating TDA indicators.
- TDA farebox revenues include cash fares and customer paid passes, while other special transit fares are reported separately, including local contributions from the City's parking authority, Act V Lot park-and-ride lot revenue, charter revenue, and grant funds from the South Coast Air Quality Management District for the Free Ride to Work Program. The City's trial balance accounting separately accounts for these revenues.

Budgeted revenues and expenditures for the transit fund can be traced to the fiscal audits and NTD reporting. In lieu of meeting a required farebox recovery ratio, the transit system is subject to the TDA 50% funding limitation, which is calculated in the fiscal audit as well as in the annual TDA claims approved and processed by OCTA.

A prior audit finding found that LBMTL was not in compliance with reporting requirements for employee FTEs. Laguna Beach staff indicated that the reporting of FTEs, which represents an annual figure, was inaccurate due to the unique condition of the service in which the majority of pay hours was for part-time workers and occurred for the shuttle service during the summer arts festivals. The intent of the FTE calculation is to take part-time and seasonal variations into consideration by reporting full-time "equivalents." This is the calculation that should be made and recorded in the State Controller Report.

LBMTL had consistently reported total headcount in all State Controller Reports prior to FY16, which is not correct. The State Controller requirement is to report FTEs by summing total pay hours and dividing by 2,000 hours. If the number was being reported correctly, the number of FTEs would be less than the number reported by LBMTL in the Controller's Report through FY15.

For comparison, the auditor has prepared the following table showing the actual person count of full- and part-time employees reported in the NTD and from internal city provided data. This is compared to the State Controller data which have shown conformity to the TDA statute standard the last audit year. The correct calculation of FTEs would be much lower compared to using head count as shown from FY15 in the table.

TABLE 2-1  
FULL-TIME EQUIVALENT COMPARISON

	FY15	FY16	FY17	FY18	% Change FY15-FY18
<b>Employee FTEs</b>					
State Controller Report Data	125	17	39	40	-68.0%
National Transit Database	24	35	35	39	62.5%
Auditor Calculation	25	36	36	40	60.0%
<b>National Transit Database</b>					
Full-Time Employee Count	8	8	8	7	-12.5%
Part-Time Employee Count	100	145	102	116	16.0%
<b>Total Employees</b>	108	153	110	123	13.9%
Full-Time Employee Work Hours	15,441	15,867	15,006	15,047	-2.6%
Part-Time Employee Work Hours	34,169	55,124	56,542	66,116	93.5%
<b>Total Labor Hours</b>	49,610	70,991	71,548	81,163	63.6%
<b>Auditor Calculation (using city provided data)</b>					
Full-Time Employee Count	8	8	8	7	-12.5%
Part-Time Employee Count	100	145	102	116	16.0%
<b>Total Employees</b>	108	153	110	123	13.9%
<b>Total Labor Hours</b>	49,610	70,991	71,548	80,983	63.2%

Sources: FY 2015–2018 State Controller Reports, FY 2015–2018 NTD Reports, Internal Employee Count & Hourly Data

The FY15 FTE data reported to the State Controller still reflect an actual headcount as compared to the NTD and internal report calculations. The FY16 State Controller FTE figure is about half the FTEs reported in the NTD and internal reports. For FY17 and FY18, the FTE data are more consistent among the three reports. The NTD FTE data are reflective of the federal calculation of 2,080 hours per FTE while the auditor calculation follow the State definition of 2,000 hours per FTE. Laguna Beach should continue to sum the annual employee work hours and divide by 2,000 hours to arrive at the FTE figure for the State Controller Report.

## 2.2 PUC Requirements

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
PUC Section 99243	<p><b>Uniform System of Accounts and Records:</b> The transit operator submitted annual reports to the Regional Transportation Planning Entity (RTPE) based upon the Uniform System of Accounts and Records established by the State Controller.</p>	Full compliance	<p>State Controller Report submittal dates:  FY15-16: October 18, 2016  *FY16-17: January 26, 2018  **FY17-18: January 31, 2019</p> <p><i>Reports were submitted electronically.</i></p> <p>*Note: New state legislation was passed (AB 1113, Bloom) on July 21, 2017, that changes the timeline to submit the annual Transit Operators Financial Transaction Reports to the State Controller effective reporting year FY17. The submittal date has been extended from within 110 days after fiscal year end to 7 months after fiscal year end, or the end of January. This is an extension of about 100 days from the original deadline. With the change in dates, these reports are required to contain underlying data from audited financial statements. The FY18 Controller report was prepared at about the same time of completion of the TDA fiscal audit for LBMTL, given that an extension of the fiscal audit allowable by law was granted by OCTA.</p> <p>**The FY18 State Controller Report provided by the City did not include the signed cover page containing the submittal date. The auditor independently verified the submittal date with the State Controller.</p>
PUC Section 99245	<p><b>Annual Fiscal Audit:</b> The operator has submitted annual fiscal and compliance audits to</p>	Full compliance	Annual fiscal audit submittal dates:

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
	its RTPE and to the State Controller within 180 days following the end of the fiscal year (December 30), or has received the 90-day extension allowed by law.		FY15-16: December 19, 2016 FY16-17: December 20, 2017 FY17-18: January 30, 2019
PUC Section 99251	<b>CHP Certifications:</b> The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	*Full compliance	<p>CHP certification dates:  FY15-16: October 6-8 &amp; 22, 2015  FY16-17: October 10, 2016  FY17-18: October 31, 2017;  November 2, 7 &amp; 9, 2017  (Unsatisfactory); March 6 &amp; 17,  2018 (Satisfactory –  Reinspection)</p> <p>*The November 2017 inspection was rated “unsatisfactory” due to the inability of LBMTL to produce the DMV pull-notices of its 15 contract drivers from Transdev Services, Inc. At the time, these pull-notices were located at the contractor’s office and not at the City. In response, LBMTL was able to produce documentation that all drivers were enrolled in a random drug &amp; alcohol testing program during the March 2018 reinspection, which was rated “satisfactory.”</p>
PUC Section 99261	<b>Transportation Planning Agency Regulations:</b> Claims for TDA funds are submitted in compliance with RTPE's rules and regulations for such claims.	Full compliance	The City submits its annual claims for funds in compliance with OCTA’s rules and regulations, including submission of three years’ performance data. The City reports actual performance data, as opposed to estimates, for services that occurred prior to submission of the claims. Since claims are due during the spring prior to the fiscal year of the claim, actual data is reported for the full prior fiscal year completed. Estimates for current and project year performance are acceptable.

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
PUC Section 99266	<p><b>Budget Changes:</b> The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).</p>	Full compliance	<p>Percentage change in budget:  FY15-16: +7.5%  FY16-17: -0.1%  FY17-18: +7.1%</p> <p><i>Source: City of Laguna Beach Department of Finance General Ledger – Expenditure Budget vs. Actual FY15, FY16, FY17 and FY18.</i></p>
PUC Section 99247	<p><b>Data Reporting:</b> The operator's definitions of performance measures are consistent with PUC Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee</p>	Full compliance	<p>Performance measures reported in the annual State Controller Report prepared by Laguna Beach are consistent with PUC Section 99247. Pursuant to a prior audit finding, the City has developed procedures to correctly report full-time equivalent employees (FTEs) based on 2,000 person-hours of work in one year, which constitute one employee. The FY17 and FY18 reports reflect the correct calculations.</p>
PUC Section 99268	<p><b>50% Expenditure Limitation:</b> Funding provided through the TDA makes up no more than 50% of the operator's operating, maintenance, capital, and debt service requirements after federal grants are deducted</p>	Full compliance	<p>As contained in each year's TDA claim, Laguna Beach conducts a grant eligibility calculation to determine its permissible Local Transportation Fund expenditure under the 50% limitation.</p>
PUC Sections 99268.2, 99268.3, 99268.1	<p><b>Revenue Ratios:</b> If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20%), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenue to operating cost at</p>	Not applicable	<p>Laguna Beach is subject to provisions of PUC Section 99268 (see above).</p>

Code Reference	Operator Compliance Requirements	Compliance Finding	Verification Information
	least three-twentieths (15%), of so determined by the RTPE.		
PUC Section 99268.2, 99268.4, 99268.5	<b>Revenue Ratios:</b> If the operator serves a rural area, it has maintained a ratio of fare revenue to operating cost at least equal to one-tenth (10%).	Not applicable	Laguna Beach is subject to provisions of PUC Section 99268 (see above).
PUC Section 99270.1	<b>Revenue Ratios:</b> If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPE.	Not applicable	Laguna Beach is subject to provisions of PUC Section 99268 (see above).
PUC Section 99271	<b>Employee Retirement System:</b> The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPA-approved plan to fully fund the retirement system within 40 years	Full compliance	Transit is an enterprise program within the City of Laguna Beach. The retirement system for eligible transit employees is part of the City's retirement program provided through California Public Employee's Retirement System.
CAC Section 6754(a)(3)	<b>Required Findings:</b> If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	Not applicable	Laguna Beach does not receive direct state or federal funding per the cooperative agreements between the City and OCTA. However, through the agreements, OCTA provides equivalent local funding assistance to Laguna Beach in lieu of direct STA funds and FTA grants.



## 2.3 Prior Audit Recommendations

The prior audit offered three recommendations for Laguna Beach Transit's consideration:

- Recommendation 1: Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.
- Recommendation 2: Steps should be taken to ensure data are reported consistently on the NTD and State Controller reports, and in a manner that can be compared with budget reports and audited financial reports.
- Recommendation 3: The City should continue to assess the effect of the recent operational changes to the Mainline Service and move forward with its planned pilot program.

LBMTL's responses to each of the prior audit recommendations and steps that have been taken to implement them are discussed here, as well as a finding on LBMTL's compliance.

### **Recommendation 1: Develop procedures to ensure consistent and accurate reporting of FTE using the TDA definition.**

- **Understanding of the Issue:** The prior audit found that in FY14-15, the City improperly reported FTE data on its State Controller Report, using an actual employee headcount for both part-time and full-time employees rather than calculating FTEs pursuant to the TDA definition. The PUC defines an FTE under the assumption that 2,000 person-hours of work in one year constitute the equivalent of one employee. It was recommended that the City develop verifiable desktop procedures to ensure accurate reporting of FTEs. The correct application of FTEs would result in full compliance with the PUC and more accurate reporting to the State Controller. Furthermore, it was recommended that the City maintain a manual specific to transit reporting so that proper reporting can be ensured despite changes in personnel.
- **Actions Taken and Results:** In response to this recommendation, the City developed FTE calculation procedures which were first implemented during the preparation of the FY15-16 Transit Operators Financial Transactions Report submitted to the State Controller. However, FY16 FTE numbers were under reported compared to NTD and auditor calculations. The city's calculation was improved in FY17 and in FY 18 the Controller's report reflected the correct FTE calculation pursuant to the TDA definition. Staff receives the previous year's Employee Hours Report from the City's Finance manager. The total hours from the report are added to determine total hours worked by transit employees. For the State Controller Report, the Report Total Hours are divided by 2,000 to determine FTE, which is imputed to the Total Employees, Public and Contract, PUC 99247 line on the Transit Operators Financial Transactions Report, Supplemental Operating Data page. The completed form is submitted along with all the other data portions to the City's Finance manager for submittal with the City's State Controller Report.
- **Conclusion:** This recommendation has been implemented.

### **Recommendation 2: Steps should be taken to ensure data are reported consistently on the NTD and State Controller Reports, and in a manner that can be compared with budget reports and audited financial reports.**

- **Understanding of the Issue:** The prior audit noted the challenges in reviewing and verifying data contained in the City's NTD and State Controller Reports due to inconsistencies. A finding was made that neither report could be matched to the financial data presented in the annual budget or the audited financials. For instance, the prior audit identified that it appeared that parking revenue could not be directly matched to funds in the City's Comprehensive Annual Financial Report and it was believed that it was being reported in the State Controller Report as "Special Transit Fares" rather than as "Non-

Transportation Revenues.” Inconsistently reported data makes it challenging to accurately evaluate the system, given conflicting cost or performance data.

- **Actions Taken and Results:** The City has taken several measures to ensure data consistency between the two reports. Responsibility for preparing the State Controller and NTD reports was assigned to one designated City staff member, commencing with the FY17 reporting period. A designated staff member has been tasked with oversight of all performance data compilation and reporting. These measures have streamlined data reporting and ensured consistency of year-end numbers included in the State Controller and NTD reports, but also recognizing differences in reporting requirements by the State and Federal governments. In addition, a data consistency report was created that aligns all performance metrics side-by-side for the State Controller and NTD report as an ongoing consistency check. The data consistency report is provided to the deputy director for budgetary purposes.
- **Conclusion:** This recommendation has been implemented.

**Recommendation 3: The City should continue to assess the effect of the recent operational changes to the Mainline Service and move forward with its planned pilot program.**

- **Understanding of the Issue:** Discussed in the prior audit were the challenges the Mainline service faced regarding its low ridership. The Mainline service has been perceived as the least productive service mode, even though it is the only service for which a fare is charged.
- **Actions Taken and Results:** During the audit period, the City implemented a series of measures designed to increase ridership through the pilot program implementation. The Mainline routes were realigned and rebranded to an enumerated format (Routes 1 through 5). The Neighborhood Mainline (Routes 1 & 2) services operate six days a week, covering the former Red Route and parts of the Gray Route (Laguna Canyon/North Laguna), whereas the remaining Mainline routes were reconfigured into a free Neighborhood Trolley service on an initial 15-week pilot basis implemented on June 20, 2016. These routes (Routes 3, 4, & 5), covering the former Blue Route and parts of the former Gray Route.

The grant application identified an initial target of 33,844 annual passengers. The 15-week pilot resulted in 34,178 passengers. Additionally, the service implemented extended operating hours on Fridays, Saturdays, and Sundays. Ridership on weekends is reported to have doubled compared to the same period in 2015, with the average boardings reaching 21 boardings per hour on Saturdays and the weekday ridership reaching 12 boardings per hour.

- **Conclusion:** This recommendation has been implemented.

# Management Control and Reporting

## 3.1 Allocation Formula Between Transit Services

As LBMTL is administered by the Public Works Department's Transit & Parking Division, the transit budget includes costs associated with administering, operating, and maintaining the City's transit system. LBMTL utilizes a formula to allocate costs between Mainline and Summer Festival Shuttle services to plan and track the transit budget.

The budget process commences in mid-November. The City's Finance Department sets the parameters for the budgeting process by using the previous year's budget data. Each budget line item is required to have backup documentation. The City's Finance Department sends out budget worksheets and salary increase justification forms to each department head. A budget analyst in the Public Works Department develops the budget and highlights any major variances. The City uses line item budgeting methods and develops a two-year look-ahead budget.

The deputy director of Public Works meets with the City manager and Finance manager as part of the budget process. Once the completed budget worksheets and forms are reviewed, the Finance Department packages the draft budget documentation for submittal to the City manager. The Finance Department reviews the budget to actuals and identifies any variances monthly. Electronic access to performance reports and operations measures from the transit supervisor enables the deputy public works director to monitor the efficiency and effectiveness of service.

The budget is separated into four main components: Mainline operations, Summer Festival operations, administrative expense, and maintenance costs. The transit program budget is categorized under Account Number 310. Key budget components are assigned the following account numbers: 3401 – Transit Administration; 3402 – Transit Maintenance; 3403 – Transit Festival Operations; and 3404 – Transit Operations. With the addition of new services such as the Weekend and Neighborhood Trolleys, new budget account numbers were added, e.g., 3405 – Trolley Weekend Operations and 3406 – Residential Extended Services.

The City utilizes a cost allocation formula to separate both administrative and maintenance costs between Mainline and Summer Festival operations based on an historical vehicle maintenance expense breakdown of the two service types. Allocated costs include rents, leases, and salaries. Vehicle costs are based on actual expenditures, which get charged to specific departments. Under past allocation methodologies, 69 percent of administrative and maintenance costs were attributed to the Mainline service and 31 percent of said costs were attributed to the Summer Festival service.

However, because the allocation formula is static and based on historical cost data, the formula may not be reflective of the costs to provide either transit administration or maintenance today. The allocation proportions for both maintenance and administrative costs should be recalculated each year to reflect actual operations provided by Mainline and Summer Festival services. The calculation involves analyzing the percentage of maintenance costs attributable to each service by comparing mileage driven and fleet age. The percentage of administrative costs is calculated by comparing revenue service hours for each service. Using separate allocation methods for maintenance and administration costs, and updating them on a regular basis, would give LBMTL a clearer assessment of modal costs and assist in budgeting and external reporting requirements.

During the audit period, the City modified its TDA claims process protocol. In the past, the Finance director was tasked with all aspects of the claim preparation and reporting process. Currently, the City's TDA claim forms are given to the deputy director of Public Works, who has experience to complete the claim application. Sections of

the claim form are already completed by OCTA. The Finance Department then prepares the actual invoices for each claim request.

## **3.2 Specialized Transit Service Management**

### **3.2.1 Specialized Services Provided Through OCTA**

LBMTL provides specialized services through OCTA's ACCESS services. The City contracts with OCTA to provide transportation services for residents unable to use the regular, fixed-route bus service due to disability. Passengers must be certified by OCTA to use the ACCESS system by meeting ADA eligibility criteria.

ACCESS service is provided pursuant to a five-year agreement (OCTA Agreement No. C-3-1790) between the City and OCTA, commencing in September 2013 and continuing through August 2018. The agreement was executed in August 2013. The agreement provides for the City to pay a share of costs for trips that originate and terminate within three-quarter miles of the City's operating area. The cost of a single trip was determined to be \$30.75 of which the City pays only a portion based on the proportion of the City's transit revenue miles in the City's service area. This portion amounts to roughly 40 percent of the cost of a trip. The City receives a Billable ADA Trips Report that provides date of service, client name, pickup time, origin, and destination of trip. The Trips Report is reviewed by the deputy director of Public Works and a claims voucher is generated by the Finance Department for payment for service.

The City has been working with OCTA concerning the assignment of costs for the OC ACCESS paratransit service. There have been exponential increases in ridership and costs. Another issue has been how to interpret what constitutes an ADA trip.

### **3.2.2 Supplemental Specialized Services Provided Through Local Senior Demand Response Transit**

Laguna Beach has been examining opportunities to improve contract service provisions for local senior demand response transit. In November 2001, the City entered into a sub-contract agreement with Sally's Fund to provide expanded transportation services within Laguna Beach for seniors 60 years of age and older. Sally's Fund, a local nonprofit entity, operates door-to-door demand-response service that is free to senior residents. Sally's Fund currently utilizes a City-leased vehicle for \$1.00 a year that is not ADA-compliant, and is responsible for providing fuel, insurance, maintenance and repairs on the vehicle.

Sally's Fund receives a flat rate of \$6,500 monthly for these services, paid from the same City funds that support LBMTL. The contract was extended through the end of June 2019 after 10 extensions to the agreement. All previously executed agreement terms remain unchanged throughout the extension period. In 2017, the City Council approved a reduction in funding for Sally's Fund, once implementation of a senior mobility program with Uber had been implemented. However, it was later determined that such a program would be infeasible to implement due to financial and technical challenges. Therefore, staff recommended no further reduction in funding for Sally's Fund for FY18-19.

Criteria used by the City to assess performance include the cost per passenger and total ridership. To be more cost-effective than the \$30.75 per trip cost of OCTA ACCESS service, Sally's Fund must provide at least 235 one-way trips per month.

### **3.2.3 Supplemental Transportation Services Provided Through Taxi Service**

The City managed a taxi voucher program called Taxi Plus that provided local service for the general public that includes at least a trip to or from the downtown area when the Mainline service is not in operation. The taxi program, which the City contracts annually with several taxi companies, had been in place since 2001. Historically,

the City budgeted over \$20,000 per year for the voucher program, which was paid from the same City funds that support LBMTL. Passengers were able to purchase a voucher for \$3.00 and the City subsidized up to \$10.00 per trip in additional taxi fare. Up to four passengers could ride for a single \$3.00 voucher. The City reimbursed the contracted cab company \$13 per voucher.

In recent years, the City's cost for the Taxi Plus program increased above the \$20,000 budget due to growing usage while the voucher price remained the same. The voucher price was increased to \$5.00 by the City Council in October 2012 simultaneously with the implementation of new contract provisions.

The City decided to terminate the taxi voucher program in 2017, citing the growing popularity of transportation network companies such as Uber, which caused participation in the program to decline sharply. In lieu of the taxi voucher program, the City proposed a senior mobility pilot program with Uber in July 2017. Discounted Uber rides would be available for seniors aged 55 and older and the disabled to any destination in Laguna Beach. Senior mobility services with Uber would be made available to individuals based on the following eligibility criteria:

- Must be a Laguna Beach Resident, must show proof of residency.
- 55 years or older and no longer able to drive a car or 75 years of age or older. For medical appointments, only need to be 55 years or older.
- A person with a disability 18 years of age or older. Must complete disabled application.
- Must sign up for an Uber account and meet all the Uber registration criteria.
- If applying for the low-income discount, rider must complete that portion of the application.

Fifty percent of the ride cost, to a maximum of \$5.00, would be paid by the rider. Rides would be allowed up to 15 miles outside of Laguna Beach for medical purposes only; fifty percent of the cost of these rides, to a maximum of \$8.00, would be paid by the rider. Low-income discounts would be offered to riders who meet the income criteria. Those that receive the low-income discount would pay a maximum of \$1.00 per ride.

After extensive research, due to technical and financial challenges, it was determined that implementation of the senior mobility services program with Uber would not be feasible.

### 3.3 Compliance Reporting to OCTA

LBMTL is engaged with compliance reporting to OCTA. As required by OCTA's TDA Guidelines, LBMTL submits detailed performance data with its annual TDA claim forms. The performance data is divided by service type (Mainline, Summer Festival Shuttle, and charter) and includes 15 performance measures.

LBMTL has improved its submittal of TDA claims forms to OCTA to meet statutory timelines. Three years of performance data is submitted, including project year, current year, and prior year. Actual data is shown for the prior year; however, current year data for some performance measures are estimates based on the rounded figures. This is acceptable given that the claim is submitted during the current year and year-end data is not yet available. The forms and required attachments are generally submitted for approval by April 1 of each year.

The cooperative agreements with OCTA require the City to submit NTD reports to the Federal Transit Administration (FTA). Several clerical staff and technicians are assigned to assist in preparing these annual reports. The performance data are entered daily into the Excel-based performance matrix by either the transit supervisor or Mainline lead bus driver and are used to meet NTD data reporting requirements.

Pursuant to the five-year agreement with OCTA in effect through June 30, 2018, the City received the equivalent local funding assistance in lieu of direct State Transit Assistance funds and FTA grants. At the end of the audit

period, the City and OCTA negotiated a new agreement that combines the multiple federal and state agreements into one agreement for a subsequent five-year period effective July 1, 2018. The new agreement was approved by the OCTA Board on June 11, 2018, and by the Laguna Beach City Council on July 11, 2018.

### **3.4 Financial Management Reporting Capabilities**

LBMTL continues to improve its financial management and reporting capabilities. LBMTL continues to follow State Controller and federal NTD guidelines for completion and submittal of the respective reports. Preparation of the NTD reports are a condition of the cooperative agreements relating to funding between OCTA and Laguna Beach.

Mainline service performance data recorded by drivers on their assignment sheets are input daily by the transit supervisor or lead bus driver into Excel spreadsheets. The spreadsheets are designed to generate performance reports and to comply with NTD reporting requirements. Similar data is input by the transit supervisor for Summer Festival Shuttle service. A technician verifies performance data and employee timecards and generates summary reports including weekly and monthly ridership reports.

Budget staff from the Finance Department meets monthly with transit management to review expenditures against budget. These checkups help to maintain financial health and accountability, control costs, and provide ongoing interaction between financial administration and transit program operations.

# TDA Performance Trends

Laguna Beach Transit's efficiency and effectiveness is assessed based on the results of the five TDA performance indicators that are required under PUC Section 99246(d) and Section 99247. The TDA performance indicators provide a starting point for assessing system-wide performance trends in efficiency and effectiveness. Performance trends are also examined by service type (i.e., Mainline and Summer Festival Shuttle service) to provide additional clarification of performance results. Functional area performance indicators assessed in the next section provide further insights into performance results.

The TDA-mandated performance indicators are as follows:

- Operating Cost per Service Hour, a measure of cost efficiency
- Operating Cost per Passenger, a measure of cost effectiveness
- Passengers per Service Hour, a measure of service productivity
- Passengers per Service Mile, another measure of service productivity
- Vehicle Service Hours per FTE, a measure of labor productivity

The primary service level data for the analysis of system-wide performance are extracted from Laguna Beach Transit's NTD reports and audited trial balances of the transit fund, since they provide the most accurate and detailed performance data. Where necessary, other data sources (e.g., internal performance reports, State Controller Reports, other internal reports) have been used to achieve the highest possible level of accuracy.

Transit agencies in the California business environment are impacted by many cost escalation factors that are outside of their direct control, including fuel costs, liability coverage, state-mandated employee benefits, and air quality laws/regulations. Therefore, it may not be realistic to expect a transit agency to keep the cost of doing business in line with the overall rate of inflation. The cost impacts associated with regulatory mandates (e.g., expanded drug and alcohol testing, revised labor regulations) are acknowledged but have not been quantified.

## 4.1 Trends in System-wide TDA Performance Indicators

The system-wide performance data and indicators reflect robust service expansion due to the implementation of the Neighborhood and Weekend Coastal Trolley routes, increased personnel and vehicle utilization and maintenance cost factors. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-1  
TDA Performance Indicators – System-wide

Verified TDA Statistics & Performance Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Cost	\$2,164,312	\$2,669,823	\$2,869,674	\$3,422,769	58.1%
Total Passengers	898,233	1,083,619	899,898	841,985	-6.3%
Vehicle Service Hours	24,372	33,695	36,128	41,320	69.5%
Vehicle Service Miles	240,981	362,922	339,406	355,543	47.5%
Employee FTEs	25	36	36	40	63.2%
Passenger Fares	\$47,005	\$43,468	\$39,594	\$29,914	-36.4%

Verified TDA Statistics & Performance Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Total Revenue incl. Fares/Contributions (Audited less Charter Revenues)	\$269,276	\$274,579	\$256,683	\$258,410	-4.0%
Operating Cost per Passenger	\$2.41	\$2.46	\$3.19	\$4.07	68.7%
Operating Cost per Vehicle Service Hour	\$88.80	\$79.23	\$79.43	\$82.84	-6.7%
Operating Cost per Vehicle Service Mile	\$8.98	\$7.36	\$8.45	\$9.63	7.2%
Passengers per Vehicle Service Hour	36.9	32.2	24.9	20.4	-44.7%
Passengers per Vehicle Service Mile	3.73	2.99	2.65	2.37	-36.5%
Vehicle Service Hours per Employee	982.3	936.0	1,010.0	1,020.5	3.9%
Average Fare+Local Support per Passenger	\$0.30	\$0.25	\$0.29	\$0.31	2.4%
Fare Recovery Ratio (fares only)	2.17%	1.63%	1.38%	0.87%	-59.8%
Fare Recovery Ratio (fares+local support)	12.44%	10.28%	8.94%	7.55%	-39.3%
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

Note: FTEs are calculated using NTD pay hours divided by 2,000 hours.

Source: National Transit Database Reports for ridership, pay hours for FTEs, and service hours and miles; Trial Balance Account for operating costs and fare revenue.

Operating costs derived from audited data increased notably over the performance audit period primarily from increased personnel costs associated with both increases in minimum wage and new service implementation including Neighborhood and Weekend Trolley. Operating costs increased at a higher pace in the later part of the audit period (in FY 18) than the increase in service hours and miles, impacting cost efficiency and effectiveness. Also, although there was a service increase, ridership continued to decline mirroring industry trends.

Actual system-wide operating costs increased by 58.1 percent over the three years, whereas service hours increased 69.5 percent over the same period. During this time, LBMTL implemented its Neighborhood and Coastal Trolley services.

Operating cost per passenger, an indicator of cost effectiveness, increased 68.8 percent from \$2.41 in FY15 to \$4.07 in FY18. System-wide ridership exhibited an overall decrease of 6.3 percent, from 898,233 passengers in FY15 to 841,985 passengers in FY18. Ridership erosion is attributed to several factors such as industry-wide trends, lower patronage at the Summer Festival, the popularity of transportation network companies, such as Uber, as well as lower retail fuel prices during the audit period.

Operating cost per vehicle service hour, an indicator of cost efficiency, exhibited a 6.7 percent decrease during the period, from \$88.80 in FY15 to \$82.84 in FY18, although this indicator showed an increase between FY17 and FY18 from rising cost at a faster pace than new service hours.

Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 44.7 percent between FY15 and FY18 from 36.9 to 20.4 passengers. This is reflective of the increase in vehicle service hours while passenger trips have decreased. The rate of increase in vehicle service hours is higher than the actual decreases in passenger trips.

Passengers per vehicle service mile, another indicator of service effectiveness, decreased 36.5 percent from 3.73 in FY15 to 2.37 in FY18. This decrease is in contrast with the trend in vehicle service miles, which exhibited an increase of 47.5 percent during the period attributed to the service expansion. The sharpest change in this indicator occurred in FY16 when ridership increased by 20.6 percent while vehicle service miles increased 50.6 percent, and passengers per mile decreased from 3.73 to 2.99.



Vehicle service hours per employee increased 3.9 percent between FY15 and FY18 from 982.3 to 1,020.5 hours. There was notable fluctuation in this indicator during the audit period due to the seasonal hiring trends for the Summer Festival Shuttle service. This measure is based on the number of FTE using employee pay hours from the NTD and dividing by 2,000 hours per employee. The number of FTEs increased from 25 in FY15, to 36 in FY16 and FY17, and to 40 in FY18.

## 4.2 Trends in Mainline TDA Performance Indicators

The modal performance data and indicators for the Mainline and Year-Around reflect the aforementioned service expansion that took place during the audit period resulting in significantly higher operating costs. Cost factors include personnel and vehicle utilization as well as maintenance. The number of passenger trips increased due to the new service and the enhanced marketing efforts. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-2  
TDA Performance Indicators – Mainline & Year-Around Trolley Services

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Costs	\$1,098,862	\$2,068,562	\$2,381,955	\$2,244,895	<b>104.3%</b>
Unlinked Passengers *	81,758	426,419	362,043	290,535	<b>255.4%</b>
Vehicle Service Hours *	9,753	19,661	29,013	26,169	<b>168.3%</b>
Vehicle Service Miles *	118,473	240,600	253,797	242,590	<b>104.8%</b>
Passenger Fares (regular fares, plus transit pass revenue)	\$47,005	\$43,468	\$39,594	\$29,914	<b>-36.4%</b>
Operating Cost per Passenger	\$13.44	\$4.85	\$6.58	\$7.73	<b>-42.5%</b>
Operating Cost per Vehicle Service Hour	\$112.67	\$105.21	\$82.10	\$85.78	<b>-23.9%</b>
Operating Cost per Vehicle Service Mile	\$9.28	\$8.60	\$9.39	\$9.25	<b>-0.2%</b>
Passengers per Vehicle Service Hour	9.9	10.1	9.1	8.8	<b>-11.1%</b>
Passengers per Vehicle Service Mile	0.69	1.77	1.43	1.20	<b>73.5%</b>
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	<b>8.4%</b>

\* Weekend Trolley began service in March 2015 which increased ridership and service hours and miles beyond the base year of FY14-15. Source: Internal performance measurement documents, Trial Balance Account for operating costs and fare revenue.

Year-round weekend free Trolley service began in March 2015 which significantly increased ridership and service statistics during the audit period compared to the base year of FY14-15. Passenger fare data in the table above include Mainline regular and summer fares paid from City of Laguna Beach parking authority revenue, South Coast Air Quality Management District passes as well as regular pass revenue. Regular fare revenues decreased 36.4 percent from \$47,005 in FY15 to \$29,914 in FY18.

Total Mainline operating costs increased 104.3 percent during the audit period, mostly due to increases in part-time salary costs across the board for transit administration, maintenance, and transit operations. Vehicle service hours increased 168.3 percent and exceeded the growth in operating costs from implementation of the Neighborhood and Weekend Trolley services.

Mainline performance indicators demonstrate the impacts of higher costs with the implementation of new routes combined with an increase in passenger trips. Operating cost per vehicle service hour decreased 23.9 percent from \$112.67 in FY15 to \$85.78 in FY18.

Operating cost per passenger decreased 42.5 percent from \$13.44 in FY15 to \$7.73 in FY18. While operating costs increased each year, ridership levels kept pace. Overall, passenger trips exhibited an increase of 255.4 percent from 81,758 in FY15 to 290,535 in FY18, while peaking at 426,419 in FY16.

Passengers per vehicle service hour declined 11.1 percent between FY15 and FY18. This indicator decreased from 9.9 passengers to 8.8 passengers per vehicle service hour, despite the overall increase in ridership. Ridership peaked in FY16 before declining in subsequent years, while vehicle service hours increased 168.3 percent during the audit period.

Passengers per vehicle service mile increased 73.5 percent from 0.69 in FY15 to 1.20 in FY18. The sharpest change occurred in FY16, when this indicator increased from .69 to 1.77. The impacts from the implementation of the pilot services and the focused marketing efforts caused this indicator to jump significantly. This increase is in contrast with vehicle service miles, which increased 104.8 percent from the FY15 base year to FY18, which is lower than the increase in service hours.

### 4.3 Trends in Summer Festival TDA Performance Indicators

The Summer Festival data and indicators reflect increased personnel and vehicle utilization and decreased passenger trips due to lower attendance at the Summer Festival in recent years. The TDA performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the analysis.

TABLE 4-3  
TDA Performance Indicators – Summer Festival Shuttle

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Operating Costs	\$863,075	\$910,747	\$755,103	\$1,072,071	<b>24.2%</b>
Unlinked Passengers	710,599	657,220	548,976	551,919	<b>-22.3%</b>
Vehicle Service Hours	13,517	13,946	11,002	15,727	<b>16.3%</b>
Vehicle Service Miles	109,869	122,325	85,756	118,141	<b>7.5%</b>
Parking Revenue In Lieu of Fares	\$218,233	\$228,342	\$216,756	\$228,497	<b>4.7%</b>
Operating Cost per Passenger	\$1.21	\$1.39	\$1.38	\$1.94	<b>59.9%</b>
Operating Cost per Vehicle Service Hour	\$63.85	\$65.31	\$68.63	\$68.17	<b>6.8%</b>
Operating Cost per Vehicle Service Mile	\$7.86	\$7.45	\$8.81	\$9.07	<b>15.5%</b>
Passengers per Vehicle Service Hour	52.6	47.1	49.9	35.1	<b>-33.2%</b>
Passengers per Vehicle Service Mile	6.47	5.37	6.40	4.67	<b>-27.8%</b>
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	<b>8.4%</b>

Source: Internal performance measurement documents; Trial Balance Account for operating costs and fare revenue.

Summer Festival Shuttle performance indicators are inclusive of the Festival Canyon, Festival Coastal, Festival Weekend, and Short Coastal routes. Based upon the performance data, there was a 24.2 percent increase in operating costs. The increase in operating costs is attributed to higher maintenance and personnel costs from increased service and increases in minimum wage. The Summer Festival has seen a decline in patronage in recent years, which has impacted ridership on the shuttle. The existing cost allocation methodology assigns about one-third of transit administration and maintenance expenses to the Summer Festival Shuttle, and about two-thirds to Mainline, despite the Summer Festival Shuttle service growing at a faster pace.

Operating cost per vehicle service hour, an indicator of cost efficiency, increased 6.8 percent from \$63.85 in FY15 to \$68.17 in FY18, which reflected the higher increase in actual operating costs relative to the lower increase in vehicle service hours. Operating cost per passenger, an indicator of cost effectiveness, increased 59.9 percent from \$1.21 in FY15 to \$1.94 in FY18. Summer Festival Shuttle passenger boardings decreased 22.3 percent from 710,599 in FY15 to 551,919 in FY18, which, combined with higher operating costs, impacted cost efficiencies. Operating cost per vehicle service mile increased 15.5 percent from \$7.86 in FY15 to \$9.07 in FY18.

Passengers per vehicle service hour exhibited a notable decrease of 33.2 percent between FY15 and FY18 from 52.6 passengers to 35.1 passengers per vehicle service hour, which reflects a decrease in the number of passengers relative to the increase in vehicle service hours. Passengers per vehicle service mile decreased 27.8 percent from 6.47 in FY15 to 4.67 in FY18. The trend in this indicator reflects the decrease in passenger trips as well as the 7.5 percent increase in vehicle service miles during the period.

# Functional Area Performance Trends

Functional area performance indicators have been developed using data reported by LBMTL for the NTD. The City's Audited Trial Balance is also used to distribute the costs among the functional areas. The resulting performance measures and trends, which provide further insights into Laguna Beach Transit's performance during the audit period, are discussed in this section.

Performance results are presented for three functional areas: Transportation, Maintenance, and Administration, using data specific to these areas to calculate relevant cost and service performance indicators. The functional area performance trends cover the period from FY16 through FY18, with FY15 used as a base year to provide a point of reference for the performance trends analysis.

As noted previously, transit agencies in the California business environment are impacted by many cost escalation factors that are outside of their direct control, including fuel costs, liability coverage, state-mandated employee benefits, and air quality laws/regulations. It therefore may not be realistic to expect a transit agency to keep the cost of doing business in line with the overall rate of inflation. The cost impacts associated with regulatory mandates (e.g., expanded drug and alcohol testing, revised labor regulations) are acknowledged but have not been quantified.

TABLE 5-1  
Operations Performance Indicators

Performance Data and Indicators	Base Year FY15	Performance Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Cost for Operations	\$1,502,337	\$1,853,090	\$1,794,739	\$2,051,988	<b>36.6%</b>
Operator Salaries and Wages	\$834,193	\$1,084,723	\$1,092,139	\$1,163,580	<b>39.5%</b>
Operator Pay Hours	32,287	50,876	51,508	53,784	<b>66.6%</b>
Vehicle Service Hours (VSH)	24,372	33,695	36,128	41,320	<b>69.5%</b>
Vehicle Service Miles (VSM)	240,981	362,922	339,406	355,543	<b>47.5%</b>
Total Vehicle Hours	29,630	37,244	37,732	43,271	<b>46.0%</b>
Total Vehicle Miles	259,913	378,658	351,087	369,102	<b>42.0%</b>
Unlinked Passenger Trips	898,233	1,083,619	899,898	841,985	<b>-6.3%</b>
Passenger Miles	1,958,148	2,362,289	1,999,773	1,871,078	<b>-4.4%</b>
Veh Ops Cost per VSH	\$61.64	\$55.00	\$49.68	\$49.66	<b>-19.4%</b>
Veh Ops Cost per VSM	\$6.23	\$5.11	\$5.29	\$5.77	<b>-7.4%</b>
Veh Ops Cost per Passenger Trip	\$1.67	\$1.71	\$1.99	\$2.44	<b>45.7%</b>
Veh Ops Cost per Passenger Mile	\$0.77	\$0.78	\$0.90	\$1.10	<b>42.9%</b>
Average Wage per Operator Pay Hour	\$25.84	\$21.32	\$21.20	\$21.63	<b>-16.3%</b>
VSH per Operator Pay Hour	0.75	0.66	0.70	0.77	<b>1.8%</b>
VSM per Operator Pay Hour	7.46	7.13	6.59	6.61	<b>-11.4%</b>
Service Miles per Service Hour	9.89	10.77	9.39	8.60	<b>-13.0%</b>
Service Hours / Total Hours	82.3%	90.5%	95.7%	95.5%	<b>16.1%</b>
Service Miles / Total Miles	92.7%	95.8%	96.7%	96.3%	<b>3.9%</b>
Avg Psgr Miles per Psgr Trip	2.18	2.18	2.22	2.22	<b>1.9%</b>
Passengers per Revenue Vehicle Hour	36.86	32.16	24.91	20.38	<b>-44.7%</b>
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	<b>8.4%</b>

Source: National Transit Database

Increases in LBMTL service levels were accompanied by increases in labor and overall operations costs. As a result:

- Transportation efficiency, measured as vehicle operations costs per vehicle service hour, decreased over the audit period by 19.4 percent from \$61.64 in FY15 to \$49.66 in FY18. Vehicle operations costs per vehicle service mile decreased a moderate 7.4 percent from \$6.23 in FY15 to \$5.77 in FY18.
- Overall operations costs increased 36.6 percent during the audit period whereas operator salary and wage costs increased by a comparable 39.5 percent over the same period. Operator pay hours increased 66.6 percent.

Cost per passenger trip increased 45.7 percent and cost per passenger mile increased by a comparable 42.9 percent. The number of unlinked passenger trips decreased 6.3 percent despite an increase in FY16. The trend in passenger miles mirrored that of passenger trips, exhibiting a 4.4 percent decrease.

Passenger miles per passenger trip increased 1.9 percent during the period from 2.18 miles in FY15 to 2.22 in FY18, while passenger miles decreased 4.4 percent.

Vehicle service hours per operator pay hour increased by a modest 1.8 percent whereas vehicle service miles per operator pay hour decreased by 11.4 percent during the audit period. Both indicators are functions of operator productivity. Service hours per total hour increased 16.1 percent from 82.3 percent in FY15 to 95.5 percent in FY18 and service miles per total mile increased 3.9 percent. These two indicators measure the amount of deadhead incurred during operations.

TABLE 5-2  
Vehicle Maintenance Performance Indicators

Performance Data and Indicators	Base Year FY15	Audit Period			% Change FY15–FY18
		FY16	FY17	FY18	
Cost for Maintenance	\$528,242	\$598,229	\$582,478	\$640,958	<b>21.3%</b>
Maintenance Pay Hours	11,550	11,846	10,198	15,166	<b>31.3%</b>
Total Vehicle Hours	29,630	37,244	37,732	43,271	<b>46.0%</b>
Total Vehicle Miles	259,913	378,658	351,087	369,102	<b>42.0%</b>
Active Vehicles	29	30	28	28	<b>-3.4%</b>
Peak Vehicles	25	28	27	23	<b>-8.0%</b>
Total Vehicle Failures	94	162	177	199	<b>111.7%</b>
Maintenance Cost per Veh Hour	\$17.83	\$16.06	\$15.44	\$14.81	<b>-16.9%</b>
Maintenance Cost per Veh Mile	\$2.03	\$1.58	\$1.66	\$1.74	<b>-14.6%</b>
Maintenance Cost per Active Veh	\$18,215	\$19,941	\$20,803	\$22,891	<b>25.7%</b>
Veh Hours per Maint Pay Hour	2.57	3.14	3.70	2.85	<b>11.2%</b>
Veh Miles per Maint Pay Hour	22.50	31.97	34.43	24.34	<b>8.2%</b>
Veh Hours per Active Vehicle	1,022	1,241	1,348	1,545	<b>51.3%</b>
Veh Miles per Active Vehicle	8,963	12,622	12,539	13,182	<b>47.1%</b>
Spare Ratio	16.0%	7.1%	3.7%	21.7%	<b>35.9%</b>
Percentage Change Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	<b>8.4%</b>

Source: National Transit Database

Maintenance costs increased 21.3 percent between FY15 and FY18. The increase is attributed to increased vehicle utilization from increased service and multiple maintenance components such as engine replacement costs, which increased by about one-third due to growing engine failures in certain vehicle makes. LBMTL maintains its operations and maintenance functions at the City's Corporation Yard, located at 1900 Laguna Canyon Road. The Corporation Yard provides adequate space and functionality for maintenance, operations, and inventory storage. Transit comprises about 20 percent of the Corporation Yard's operations.

Vehicle maintenance costs per hour decreased 16.9 percent from \$17.83 in FY15 to \$14.81 in FY18. Overall maintenance costs increased 21.3 percent whereas vehicle service hours increased more rapidly at 69.5 percent (see Table 5-1), resulting in lower costs per hour. Maintenance pay hours increased 31.3 percent as compared to the 46 percent increase in total vehicle hours.

Maintenance costs per mile also decreased annually by 14.6 percent over the audit period, from \$2.03 in F15 to \$1.74 in FY18 as a result of vehicle miles growing more quickly than costs. In comparison, maintenance costs per active vehicle increased 25.7 percent from \$18,215 in FY15 to \$22,891 in FY18. The transit fleet is maintained at the City's Corporation Yard, which allows fleet services to maintain the vehicles more efficiently.

The size of the active fleet decreased by a slight 3.4 percent from 29 vehicles in FY15 to 28 vehicles in FY18. At the same time, peak vehicle requirements decreased 8 percent from 25 in FY15 to 23 in FY18. Total vehicle failures or road calls increased 111.7 percent from 94 in FY15 to 199 in FY18. In part, this trend reflects growth in the use of the current fleet from increased services which include older Trolleys, as well as engine issues experienced during the audit period.

The LBMTL vehicle spare ratio fluctuated during the period, which exhibited an overall increase of 35.9 percent from a 16 percent ratio in FY15 to 21.7 percent in FY18. In FY16, the spare ratio was 7.1 percent, and in FY17 was 3.7 percent. The spare ratio increased significantly in FY18 attributed to the delivery of new vehicles. FTA generally advocates for spare ratios of 20 percent; however, the guidelines do not apply to transit fleets of 50 or fewer vehicles.

TABLE 5-3  
Administration Performance Indicators

Performance Data and Indicators	Base Year FY15	Audit Period			% Change FY15-FY18
		FY16	FY17	FY18	
Administration Costs	\$334,851	\$360,062	\$364,999	\$308,260	-7.9%
Administration Pay Hours	5,773	8,269	9,842	12,313	113.3%
Casualty & Liability Costs	\$40,829	\$17,868	\$17,900	\$27,500	-32.6%
Vehicle Service Hours (VSH)	24,372	33,695	36,128	41,320	69.5%
Vehicle Service Miles (VSM)	240,981	362,922	339,406	355,543	47.5%
Unlinked Passenger Trips	898,233	1,083,619	899,898	841,985	-6.3%
Passenger Miles	1,958,148	2,362,289	1,999,773	1,871,078	-4.4%
Admin Cost per VSH	\$13.74	\$10.69	\$10.10	\$7.46	-45.7%
Admin Cost per VSM	\$1.39	\$0.99	\$1.08	\$0.87	-37.6%
Admin Cost per Psgr Trip	\$0.37	\$0.33	\$0.41	\$0.37	-1.8%
Admin Cost per Psgr Mile	\$0.17	\$0.15	\$0.18	\$0.16	-5.9%
Casualty & Liability Costs per VSM	\$0.17	\$0.05	\$0.05	\$0.08	-52.9%
VSH per Admin Pay Hour	4.22	4.07	3.67	3.36	-20.5%
VSM per Admin Pay Hour	41.74	43.89	34.49	28.88	-30.8%
% Change in Consumer Price Index (CPI-All)		1.9%	2.8%	3.5%	8.4%

*Source: National Transit Database*

Transit administration costs decreased 7.9 percent from \$334,851 in FY15 to \$308,260 in FY18, despite increases in FY16 and FY17. The City includes depreciation expense in transit administration costs; that expense is subtracted for this report. Administrative pay hours increased 113 percent from 5,773 in FY15 to 12,313 in FY18. Because service levels in terms of vehicle hours increased more than administrative costs, administrative cost efficiency improved, as hourly administrative costs declined 45.7 percent from \$13.74 in FY15 to \$7.46 in FY18.

Casualty and liability costs decreased 32.6 percent from \$40,829 in FY15 to \$27,500 in FY18. The sharpest decreases occurred in FY16 and FY17, when costs declined by more than half. Due to this fluctuation, casualty and liability costs per vehicle service mile also decreased by about 53 percent.

# Conclusions and Recommendations

## 6.1 Conclusions

LBMTL is in compliance with PUC requirements, made progress implementing prior audit recommendations, and has adequate management controls:

- **Compliance with PUC Requirements** – LBMTL is in compliance with all PUC requirements. New state legislation was passed (AB 1113, Bloom) on July 21, 2017, that changed the timeline to submit the annual Transit Operators Financial Transaction Reports to the State Controller effective reporting year FY17.
- **Progress to Implement Prior Audit Recommendations** – LBMTL has fully implemented the three prior audit recommendations, which involve the development of procedures to ensure the accurate reporting of FTEs; consistent data reporting on the NTD and State Controller reports; and continued assessment of the planned changes to the Mainline service and the implementation of the pilot services.
- **Management Control and Reporting** – Internally, the Finance division in the Administrative Services Department and the Transit & Parking Services division in the Public Works Department meet regularly to review budgets and expenditures. LBMTL also improved its compliance reporting by providing actual data in its TDA claim for funds.

LBMTL has successfully implemented new services that increased cost and service delivery while achieving various service productivity gains:

- **TDA Performance Indicators** – Operating cost per vehicle service hour, an indicator of cost efficiency, decreased 6.7 percent between FY15 and FY18. Operating cost per passenger, an indicator of cost effectiveness, increased 68.7 percent between FY15 and FY18. Both indicators reflect increased service provision and higher personnel and maintenance costs incurred during the period. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 44.7 percent between FY15 and FY18, indicating an overall decline in passenger trips. This indicator decreased from 36.9 passengers to 20.4 passengers, mirroring the decrease in system-wide boardings.
- **Functional Performance** – Overall transit expenses exhibited significant increases due to the implementation of the Neighborhood and Weekend Trolley services and associated maintenance and personnel costs from increased service. By function, operations costs increased 36.6 percent during the audit period whereas operator salary and wage costs increased by a comparable 39.5 percent over the same period. Maintenance costs increased 21.3 percent between FY15 and FY18. Transit administration costs decreased 7.9 percent during the period, despite increases in FY16 and FY17. The size of the active fleet decreased by a slight 3.4 percent from 29 vehicles in FY15 to 28 vehicles in FY18. At the same time, peak vehicle requirements decreased 8 percent from 25 in FY15 to 23 in FY18.



## 6.2 Recommendations

Findings documented in previous sections of the performance audit indicate areas of positive performance as well as opportunities for improved effectiveness, efficiency, and economy of operations. More detailed recommendations are offered below to capitalize on improvement opportunities. Rather than viewing the recommendations as negative, they should be balanced against LBMTL's efforts to make service changes in response to industry-wide challenges in public transit during the performance audit review period, noted throughout this report.

The following recommendations are provided for consideration by LBMTL:

1. Continue to work with the City's Human Resources Department to explore incentives for the hiring and retention of drivers.
2. Adopt formalized performance standards and procedures with the implementation of the DoubleMap CAD/AVL system.
3. Continue to explore mobility as a service option to address the decline in ridership.

These recommendations and the expected results of implementing them are discussed here.

### **Recommendation 1: Continue to work with the City's Human Resources Department to explore incentives for the hiring and retention of drivers.**

**Issues and Opportunities** – LBMTL relies on a pool of full-time, part-time, seasonal, and contract drivers to operate its vehicles throughout the year. Most drivers work on a seasonal and part-time schedule during annual Summer Festival and on weekends. Many of these drivers are school bus operators and with the earlier start of the school year, these drivers do not stay for the duration of the festival. Therefore, the City contracts with Transdev to provide gap staffing of 15 drivers during last two weeks of August. Moreover, the success of the Neighborhood and Weekend Trolley services has stretched the pool of available drivers thin, with barely enough coverage for the runs. About 30 drivers are needed every weekend. The shortage of drivers has created an issue, prompting the deputy director of Public Works to work with the City's Human Resources for incentives to recruit and retain drivers. Given the unique and seasonal nature of LBMTL service provision, it is recommended that strategies be implemented that would enhance retention.

**Recommended Actions** – It is recommended that LBMTL work with the City's Human Resources Department and the employee bargaining unit, which would allow for enhanced incentives and flexibility for new drivers. The City has seven driver classifications: Lead Mainline Bus Driver; Bus Driver I (Year-Round Hourly); Bus Driver II (Year-Round Hourly); Festival Bus Driver I; Festival Bus Driver II; Festival Bus Driver III; and Bus Driver. The City could consider enhanced compensation for the year-round hourly classification. Another option would be to amend the scope of the Transdev contract to provide a select pool of drivers during the off-season and on weekends.

**Expected Results** – A package of enhanced employee benefits and incentives would aid in creating an ample pool of drivers. Selectively utilizing contract drivers could also help in ameliorating the driver shortage.

**Management Response** – The Transit Department is actively working with the City's Human Resources department to explore new incentives to attract and maintain an ample pool of drivers. Most recently the City developed an employee referral program where current employees will receive a \$200 incentive for every new operator that they refer and is hired. This program is currently being implemented.

Another retention benefit that was implemented recently was incentive pay for operators that work holidays. Operators can earn an extra \$75 for working on holidays in addition to their regular pay. This incentive program was implemented six months ago and has had favorable results.

Staff is also exploring incentives for weekend shifts that would incentivize operators working on weekends, typically a shift that is difficult to fill.

### **Recommendation 2: Adopt formalized performance monitoring standards and procedures in order to fully implement the DoubleMap CAD/AVL system.**

**Issues and Opportunities** – LBMTL has an opportunity to improve its performance monitoring procedures, particularly regarding tracking the number of passengers and monitoring on-time performance. On-time performance is monitored on the Neighborhood Trolleys by timepoints. Findings from a passenger survey showed 95 percent schedule adherence on the neighborhood routes. In addition, the Trolley Tracker app was upgraded in August 2017 to include predictive arrival times. The existing AVL/GPS system was over six years old and in need of replacement. Performance data have been manually tracked and double-checked. However, a survey conducted by an independent consultant determined there was an 8 percent passenger undercount during the Summer Festival.

In March 2017, the City approved a cooperative agreement with OCTA for Project V funding of up to \$230,000 toward the purchase of an Intelligent Transportation Solution to CAD, AVL, APC, and AVA. In November 2018, the City awarded a five-year contract to DoubleMap for a CAD/AVL system including the AVA option to be implemented. Capital funds for the AVA option are also available in the Project V funding. Implementation of these technologies would enable the rerouting of buses around bottlenecks to maintain schedule adherence as well as provide accurate passenger counts and performance data.

**Recommended Actions** – LBMTL should ensure the full implementation and staff training of the DoubleMap CAD/AVL system, including the AVA option. The data generated would enhance performance monitoring procedures while providing enhanced rider experience and safety.

**Expected Results** – Full implementation of DoubleMap system by LBMTL would allow for real-time tracking of all buses and routes; arrival estimates for dispatchers; passenger boarding data; and more accurate performance data reporting of passengers, miles, hours, and on-time performance. New on-board functions including automated voice annunciators would enhance ride experience and safety.

**Management Response** – The City began implementation of the new DoubleMap system in April 2019. Bus installation is complete on the GPS/AVL and the Auto Passenger Counting components. Training for maintenance, administration and operations was conducted April 8 and 9, 2019. Full implementation of the system is anticipated by May 31, 2019. The City has also created performance metrics and will use the data from the new DoubleMap system for reporting.

### **Recommendation 3: Continue to explore mobility as a service option to address the decline in ridership.**

**Issues and Opportunities** – Despite the implementation of the Neighborhood and Weekend Trolleys and heavy marketing during the audit period, overall systemwide ridership has continued to decrease. Ridership erosion is attributed to several factors such as industry-wide trends, lower patronage at the Summer Festival, the popularity of transportation network companies, such as Uber, as well as lower retail fuel prices. Patronage at the Summer Festival has been down 10 percent which has impacted ridership. The City engaged Uber to implement the senior

mobility pilot program in July 2017, which would offer discounted Uber rides for seniors age 55 and older and the disabled to any destination in Laguna Beach. After extensive research, due to technical and financial challenges, it was determined that implementation of this program with Uber would not be feasible due to financial and technological obstacles.

**Recommended Actions** – LBMTL should continue to explore mobility as a service option that would interface with and support the existing transit system. Even though this is an evolving trend, the City should study examples of partnerships implemented by OCTA and other transit agencies such as the Sacramento Regional Transit District (SmaRT Ride) and the VIA Rideshare program in Arlington, Texas. Project V funding, for example, could help launch a microtransit pilot in the service area.

**Expected Results** – Implementation of a well-planned mobility program as a service pilot could help LBMTL reverse the decrease in ridership and help support the core transit system.

**Management Response** – The City has been extensively researching service delivery alternatives, focusing on on-demand models. Staff has been discussing microtransit as a viable option to replace the Neighborhood weekday and Neighborhood weekend fixed route trolley service. It is believed that this type of on-demand service would complement the City’s existing Weekend Coastal and Festival service and increase mobility for the residents of Laguna Beach. The City also believes this would be a very viable option for our senior and disabled residents since all vehicles would be lift equipped.

Staff plans on bringing a full report to the City Council in Fall 2019 for further direction on this alternative.



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit

**Subject:** Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018

**Overview**

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2018. Based on the audit, the Orange County Transportation Authority complied with its debt and investment policies; however, a few errors were identified in the fourth quarter investment and debt report, and a recommendation was made to enhance monitoring of asset-backed securities' diversification limits.

**Recommendation**

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018, Internal Audit Report No. 19-507.

**Background**

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA's) Investment Portfolio (Portfolio). On December 31, 2018, the Portfolio's book value was approximately \$1.7 billion. The Portfolio consists of two managed portfolios: liquid assets for OCTA's daily operations and a short-term portfolio for future budgeted expenditures. External investment managers administer the short term portfolio, and OCTA's Treasurer manages the liquid assets portfolio.

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Policy outlines permitted investments, as well as diversification guidelines. The

diversification limits ensure the Portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

### ***Discussion***

OCTA's investment activities are reviewed on a semi-annual basis by the Internal Audit Department (Internal Audit). The objective of the audit was to determine if OCTA complied with its debt, investment, and reporting policies and procedures for the period July 1 through December 31, 2018.

In reviewing the 2018 Fourth Quarter Investment and Debt Report (Report), Internal Audit found that the book value reported for the short-term portfolio was \$162,768 higher than the balances per the custodial bank statements. Starting in the fourth quarter 2018, staff had begun using Clearwater system balances to complete the Report, rather than the custodial bank statements. Differences between how Clearwater and the custodial bank value Treasury Inflation-Protected Securities investments attributed to the difference. Also contributing to the difference, Clearwater had posted a factor update to the value of one mortgage-backed security in late December, whereas the investment manager did not post the same factor update and notify the custodial bank until after January. The Accounting Department records securities based on the custodial bank statements; as such, the Report does not reflect amounts booked in the financial accounting system. In addition, the balance of bank deposits was overstated by \$17,996 on the Report when staff erroneously used the cash balance from the prior business day. Internal Audit recommended that additional training be provided on the preparation of investment worksheets and Reports. Also, Internal Audit recommended that Treasury use custodial statements as the basis for preparing the Reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented. Management responded that additional training has been provided and that, in the future, if Clearwater balances are used to prepare Reports, a reconciliation will be performed and documented.

In addition, Treasury did not monitor the ten percent threshold for asset-backed securities during the audit period. According to the Policy, asset-backed securities, excluding mortgages, may not exceed ten percent. In addition, several daily holding reports used to monitor investment manager compliance with investment thresholds did not evidence secondary review as required. Internal Audit recommended management implement controls to monitor the ten percent threshold for asset-backed securities and ensure secondary review of daily holding reports. Management agreed and indicated that monitoring controls are in place and secondary reviews are being performed as required.

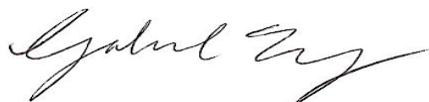
**Summary**

Internal Audit has completed an audit of investments for the period July 1 through December 31, 2018, and has offered two recommendations for improvement.

**Attachment**

- A. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2018 Internal Audit Report No. 19-507

**Prepared by:**



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Gabriel Tang  
Principal Internal Auditor  
714-560-5746

**Approved by:**



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Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Investments: Compliance, Controls, and Reporting July 1 through December 31, 2018

### Internal Audit Report No. 19-507

April 30, 2019



**Performed by:** Janet Sutter, CIA, Executive Director  
Serena Ng, CPA, Senior Manager  
Gabriel Tang, CPA, Principal Internal Auditor

**Distributed to:** Andrew Oftelie, Executive Director, Finance and Administration  
Sean Murdock, Benjamin Torres, Maya Haddad

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Investments: Compliance, Controls, and Reporting  
July 1 through December 31, 2018  
April 30, 2019**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Investments: Compliance, Controls, and Reporting  
July 1 through December 31, 2018  
April 30, 2019**

## **Conclusion**

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period July 1 through December 31, 2018. Based on the audit, the Orange County Transportation Authority (OCTA) complied with its debt and investment policies; however, Internal Audit identified a few errors in the fourth quarter Investment and Debt Report and recommended enhancement to monitoring of asset-backed securities' diversification limits.

## **Background**

### Portfolio Management

The Treasury Department (Treasury) is responsible for the management of OCTA's Investment Portfolio (Portfolio). To accomplish this, Treasury uses the Clearwater treasury software system to monitor investments and investment manager performance.

On December 31, 2018, the Portfolio's book value was approximately \$1.7 billion. The Portfolio consists of two managed portfolios: liquid assets for OCTA's daily operations and a short-term portfolio for future budgeted expenditures. External investment managers administer the short-term portfolio, and OCTA's Treasurer manages the liquid assets portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations. OCTA's Accounting Department (Accounting) is responsible for recording all debt and investment transactions and for reconciling all bank and custodial accounts monthly.

### Investment Policy

The Investment Policy (Policy) sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code (CGC). The Policy outlines permitted investments as well as diversification guidelines. The diversification limits ensure the portfolio is not unduly concentrated in securities of one type, industry, or entity, thereby assuring adequate portfolio liquidity should one sector or company experience difficulties.

OCTA has provided the investment managers with a copy of the Policy and requires investment managers to invest their portfolios in accordance with the provisions of the Policy.

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## **Objectives, Scope, and Methodology**

The primary objective was to determine if OCTA complied with its debt, investment, and reporting policies and procedures.

Audit objectives included determining if:

- Internal controls over OCTA's investment activities were adequately designed;
- OCTA was in compliance with the CGC;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control, in the broadest sense, encompasses the plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls significant within the context of the audit objectives were evaluated as part of this audit.

The scope included investment transactions and investment-related controls for the period July 1 through December 31, 2018.

The methodology consisted of obtaining the most current Policy and Debt and Investment Management Manual, reviewing any personnel changes and corresponding updates to bank authorization signature cards, reviewing a judgmental sample of daily cash worksheets prepared by Accounting and Treasury staff, testing a judgmental sample of investments for compliance with the Policy, tracing a haphazard sample of investments from the bank statements to Clearwater, testing a judgmental sample of wire transfers for accuracy and proper authorization, and verifying the accuracy of the quarterly investment and debts reports provided to OCTA's Board of Directors. For daily cash report testing, repo-sweep testing, and wire transfer testing, Internal Audit judgmentally selected one transaction per month during the scope period. For Treasury software and computer data testing, Internal Audit haphazardly selected five securities per investment manager per quarter, resulting in a sample of 40 securities, and traced the securities from the statements to the Clearwater Daily Holding Reports. For quarterly report transaction testing, Internal Audit judgmentally selected 40 investments per quarter for coverage over different types of securities. Since the samples are non-statistical, any conclusions are limited to the sample items tested. The methodology also included Treasury's monitoring of the investment managers' compliance with the Policy, including obtaining acknowledgement of receipt of OCTA's Policy, and obtaining written descriptions of the compliance and control environment of the custodian.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to

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provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## **Audit Comments, Recommendations, and Management Responses**

### **Errors in 2018 Fourth Quarter Investment and Debt Report**

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The book value reported in the 2018 Fourth Quarter Investment and Debt Report (Report) for the short-term portfolio was \$162,768 higher than the custodial bank statements.

Starting in the fourth quarter 2018, staff began using Clearwater system balances to complete the Report, rather than the custodial bank statements. Differences between how Clearwater and the custodial bank value Treasury Inflation-Protected Securities (TIPS) investments attributed to the difference. Also, Clearwater had posted a factor update to the value of one mortgage-backed security in late December, whereas the investment manager did not post the same factor update and notify the custodial bank until after January. Accounting staff records securities based on custodial statements; as such, the Report does not reflect amounts booked in the financial accounting system.

In addition, the balance of bank deposits was overstated by \$17,996 on the Report and the Summary of Outstanding Investments worksheet for December 31, 2018. When preparing the worksheets, staff had erroneously begun using the cash balance from the prior business day.

#### **Recommendation:**

Internal Audit recommends that additional training be provided on the preparation of investment worksheets and Reports. Also, Internal Audit recommends that Treasury use custodial statements as the basis for preparing the Reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented.

#### **Management Response:**

Management agrees with the recommendation. In the future, if Clearwater book values are used for reporting, then staff will reconcile any differences between Clearwater book values and custodial statement book values. In addition, staff has already provided additional training and modified the review process in order to improve the reporting process going forward.

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**Monitoring of Investment Thresholds**

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Treasury did not monitor the 10 percent threshold for asset-backed securities during the audit period. In addition, several daily holdings reports lacked evidence of secondary review, as required.

According to the Policy, asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation; however, there is no monitoring of the 10 percent threshold.

On a weekly basis, Treasury staff runs daily holding reports, and uses these reports to monitor investment managers' compliance with investment thresholds. Staff evidences the review by signing off on the reports and a manager, or other designated staff member, performs a secondary review. Testing identified several reports that lacked evidence of the required secondary review.

**Recommendation:**

Internal Audit recommends Treasury implement controls to monitor the 10 percent threshold for asset-backed securities and ensure secondary review of daily holding reports is performed.

**Management Response:**

Management agrees with the recommendation. Staff has been monitoring the combined threshold of 20 percent for mortgage and asset-backed securities required by the CGC but did not have a reporting process in place for the 10 percent threshold for asset-backed securities, which is a threshold more restrictive than the CGC. Staff has worked with Clearwater and is already using a report which segregates mortgage and asset-backed securities so that the 10 percent threshold on asset-backed securities can be monitored. In addition, staff has reviewed balances for asset-backed securities for all investment managers during the period and all investment managers were in compliance.

A process has been put in place to ensure that a secondary review of the daily holdings reports is performed. The Treasury Department consists of two staff members; however, the department had a vacancy during the period of the audit therefore only one review was performed for a portion of the audit period. In the future, when a position is vacant within the department the Director of Finance and Administration will perform the secondary review.



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Orange County Transportation Authority Investment and Debt Programs Report - April 2019

**Overview**

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending April 30, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

**Recommendation**

Receive and file as an information item.

**Discussion**

As of April 30, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.08 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, bond proceeds portfolio to meet Measure (M2) transportation program needs, and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

The weighted average book yield for the OCTA portfolio is 2.4 percent. The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,610,270, with an average monthly effective yield of 2.5 percent. The OCTA's month-end balance in the Orange County Investment Pool was \$14,394,900. Yields for the month of April will be received in May in alignment with the timing of the County of Orange monthly investment report.

OCTA's debt portfolio had an outstanding principal balance of \$1.02 billion as of April 30, 2019. Approximately 62 percent of the outstanding balance is comprised of M2 debt, 10 percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

Based on direction from the Finance and Administration Committee members at the April 24, 2019 committee meeting, staff is working on developing a dashboard page that can be included within the monthly and quarterly report that will provide key performance and compliance data. Staff's goal is to include the dashboard page with the May monthly investment report brought to the committee in June.

***Summary***

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending April 30, 2019.

***Attachment***

- A. Orange County Transportation Authority Investment and Debt Programs – For the Period Ending April 30, 2019.

**Prepared by:**



Sean Murdock  
Director  
Finance and Administration  
(714) 560-5685

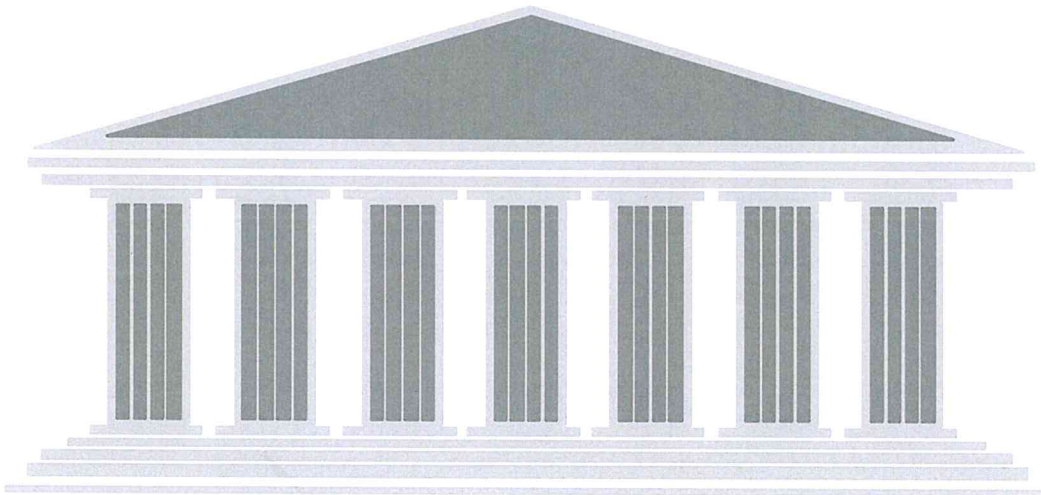
**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649

**Treasury/Public Finance Department's  
Report On**

**Orange County Transportation Authority  
Investment and Debt Programs**



**Presented to the  
Finance and Administration Committee**

**For The Period Ending  
April 30, 2019**



# INVESTMENT PROGRAM

# Investment Profile

4/30/2019

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
Logan Circle Partners	Union Bank	Custodian	Short-Term Operating	375.3
Chandler Asset Management	Union Bank	Custodian	Short-Term Operating	376.5
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	378.7
Public Financial Management (PFM)	Union Bank	Custodian	Short-Term Operating	376.7
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.6
Orange County Treasurer	OCIP	Custodian	Legal Requirement	14.4
<i>GUARANTEED INVESTMENT CONTRACT</i>				
OCTA	The Bank of Nova Scotia	Custodian	Guaranteed Investment Contract	400.0
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	102.7
OCTA	Bank of the West	Broker	Liquid	20.0
OCTA	U.S Bank	Trustee	Liquid	0.0
<i>DEBT SERVICE RESERVE FUNDS</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	11.2
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.5
<b>TOTAL</b>				<b>\$2,079.6</b>

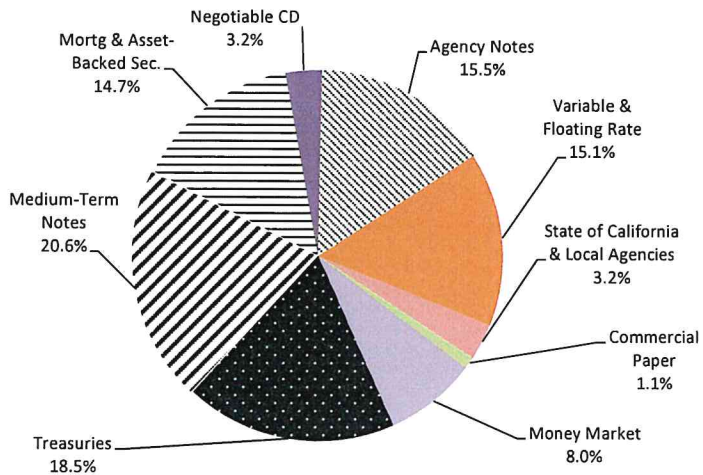
# Short-Term Portfolio - \$1.51 Billion

As of 4/30/19

Part 1 of 2

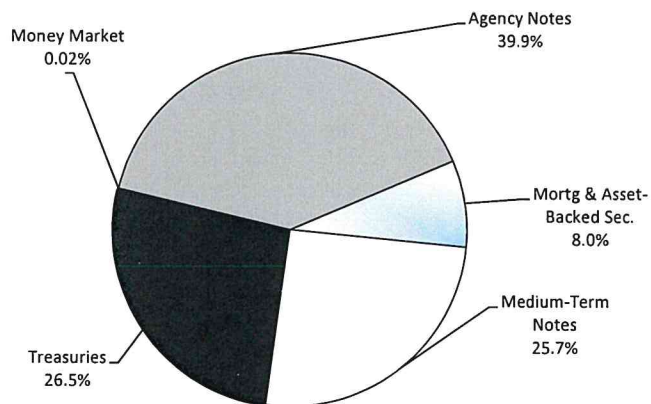
## Logan Circle Partners

Book Value	\$	375,285,089
Market Value	\$	376,284,208



## Chandler Asset Management

Book Value	\$	376,528,617
Market Value	\$	377,485,587



Book & Market Value Reported By Clearwater

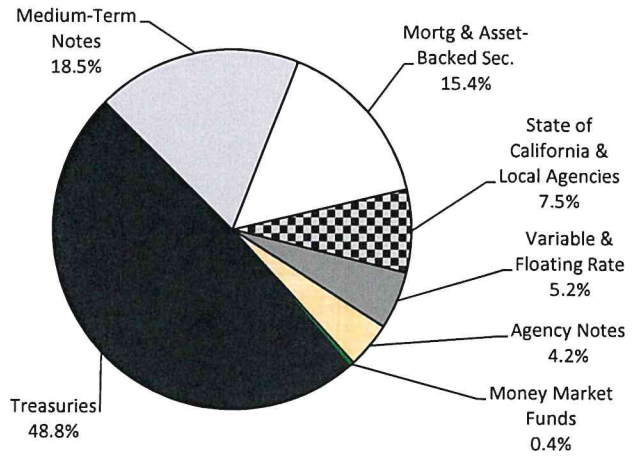
# Short-Term Portfolio - \$1.51 Billion

## As of 4/30/19

### Part 2 of 2

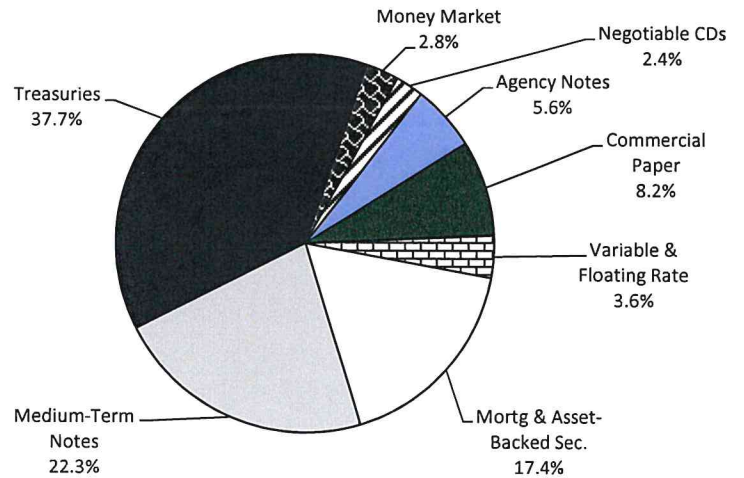
#### Payden & Rygel

Book Value	\$	378,702,353
Market Value	\$	379,504,063



#### Public Financial Management (PFM)

Book Value	\$	376,672,791
Market Value	\$	378,668,331

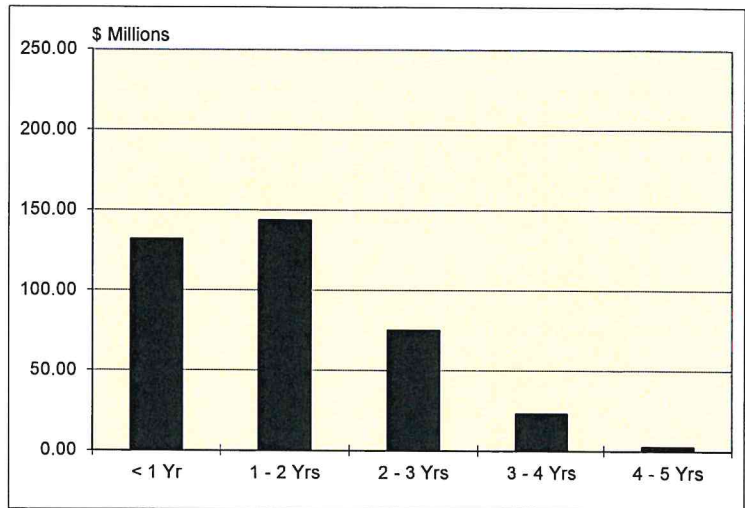


*Book & Market Value Reported By Clearwater*

# Short-Term Portfolio Maturity Schedule As of 4/30/19

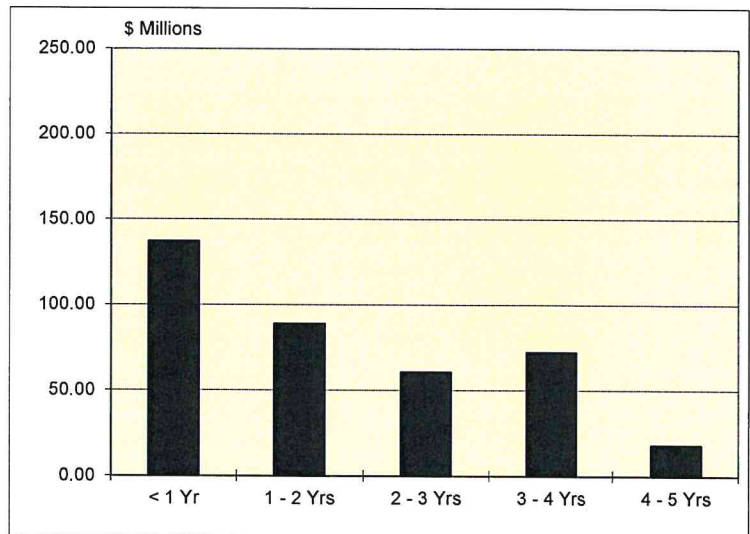
## Logan Circle Partners (\$375.3 M)

Monthly Return	0.26%
TSY Benchmark	0.20%
Gov/Corp Benchmark	0.22%
Fiscal YTD Return	2.61%
TSY Benchmark	2.70%
Gov/Corp Benchmark	2.89%
12 Month Return	3.02%
TSY Benchmark	3.08%
Gov/Corp Benchmark	3.27%



## Chandler Asset Management (\$376.5 M)

Monthly Return	0.21%
Benchmark Comparison	0.20%
Gov/Corp Benchmark	0.22%
Fiscal YTD Return	2.86%
TSY Benchmark	2.70%
Gov/Corp Benchmark	2.89%
12 Month Return	3.26%
TSY Benchmark	3.08%
Gov/Corp Benchmark	3.27%



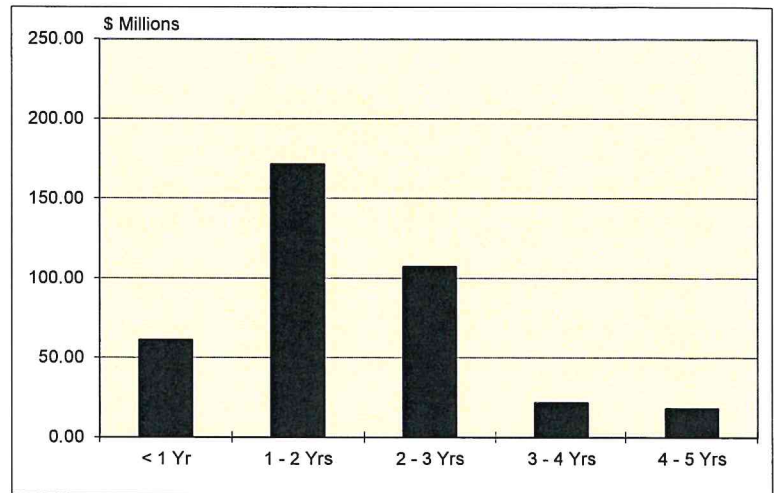
Yield Curve Change From 3/31/19 to 4/30/19			
	<u>3/31/19</u>	<u>4/30/19</u>	<u>Change</u>
1 Year	2.398%	2.403%	0.0050%
2 Year	2.307%	2.341%	0.0340%
3 Year	2.263%	2.315%	0.0520%
5 Year	2.291%	2.348%	0.0570%
30 Year	2.887%	2.944%	0.0570%

# Short-Term Portfolio Maturity Schedule

## As of 4/30/19

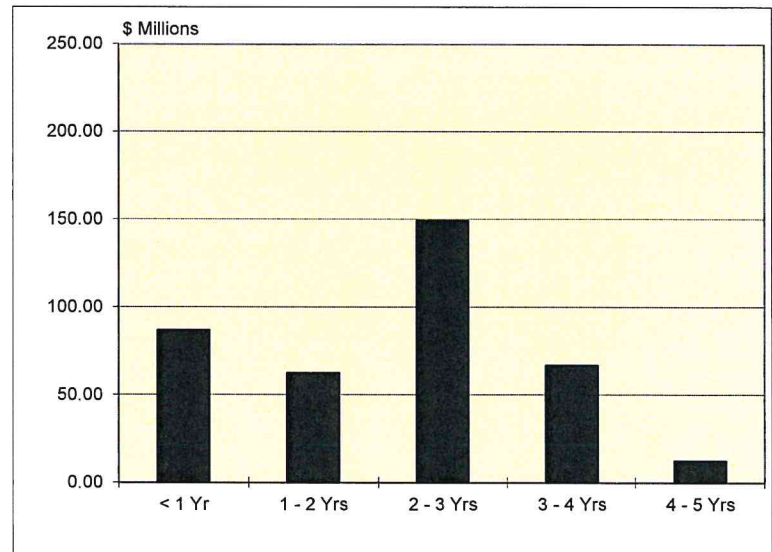
### Payden & Rygel (\$378.7 M)

Monthly Return	0.22%
TSY Benchmark	0.20%
Gov/Corp Benchmark	0.22%
Fiscal YTD Return	2.92%
TSY Benchmark	2.70%
Gov/Corp Benchmark	2.89%
12 Month Return	3.32%
TSY Benchmark	3.08%
Gov/Corp Benchmark	3.27%



### Public Financial Management (\$376.7 M)

Monthly Return	0.21%
TSY Benchmark	0.20%
Gov/Corp Benchmark	0.22%
Fiscal YTD Return	2.99%
TSY Benchmark	2.70%
Gov/Corp Benchmark	2.89%
12 Month Return	3.45%
TSY Benchmark	3.08%
Gov/Corp Benchmark	3.27%

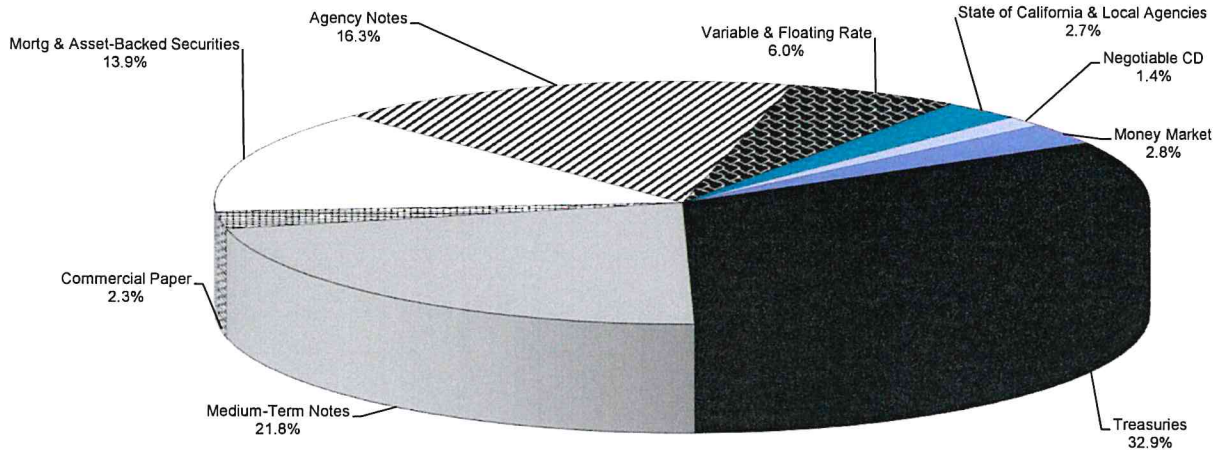


Yield Curve Change			
From 3/31/19 to 4/30/19			
	<u>3/31/19</u>	<u>4/30/19</u>	<u>Change</u>
1 Year	2.398%	2.403%	0.0050%
2 Year	2.307%	2.341%	0.0340%
3 Year	2.263%	2.315%	0.0520%
5 Year	2.291%	2.348%	0.0570%
30 Year	2.887%	2.944%	0.0570%

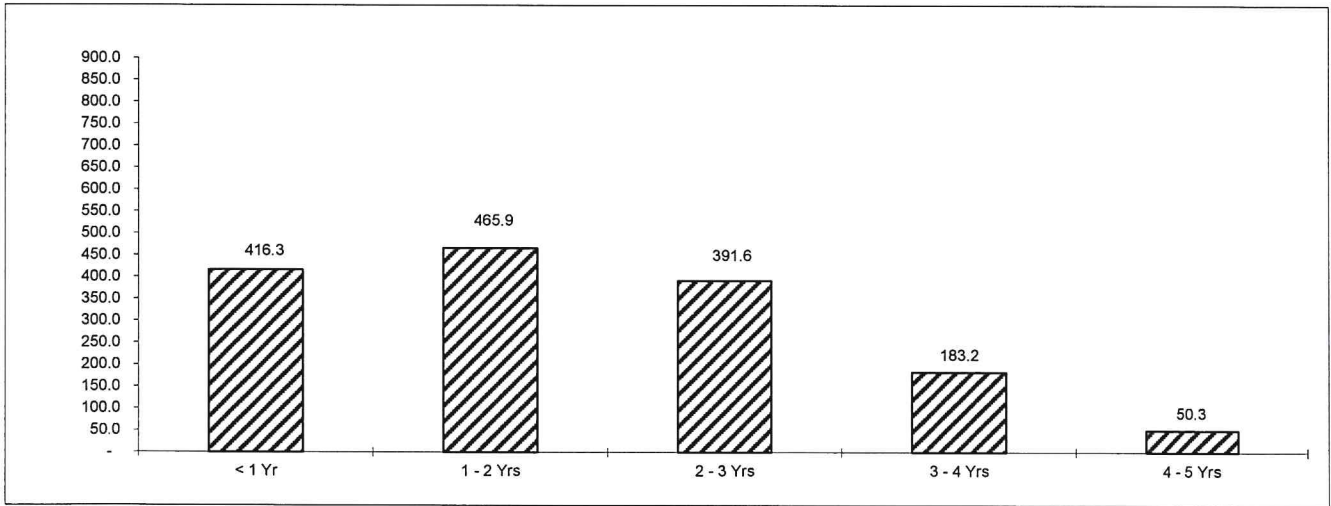
# Short-Term Portfolio

## As of 4/30/19

### Total Portfolio Composition

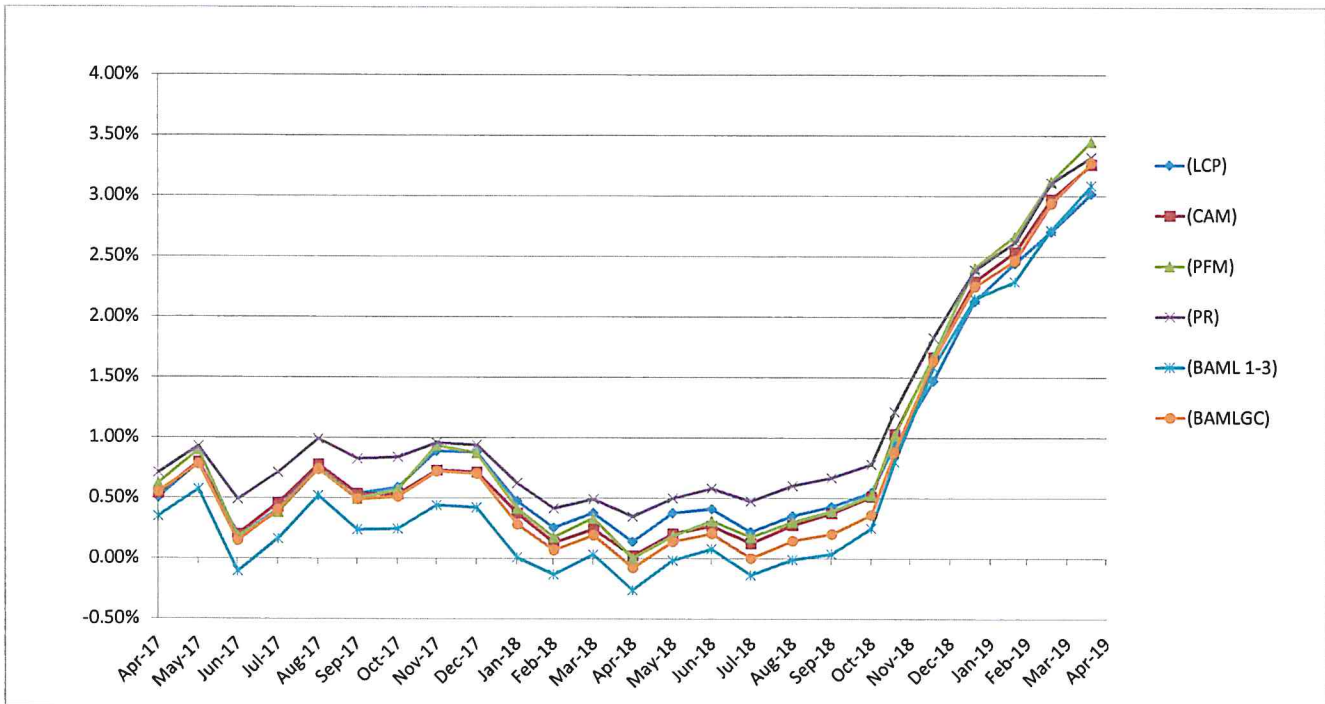


### Total Portfolio Maturity Schedule



## Short-Term Portfolio Performance As of 4/30/19

**Trailing 1-Year Total Return  
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks**

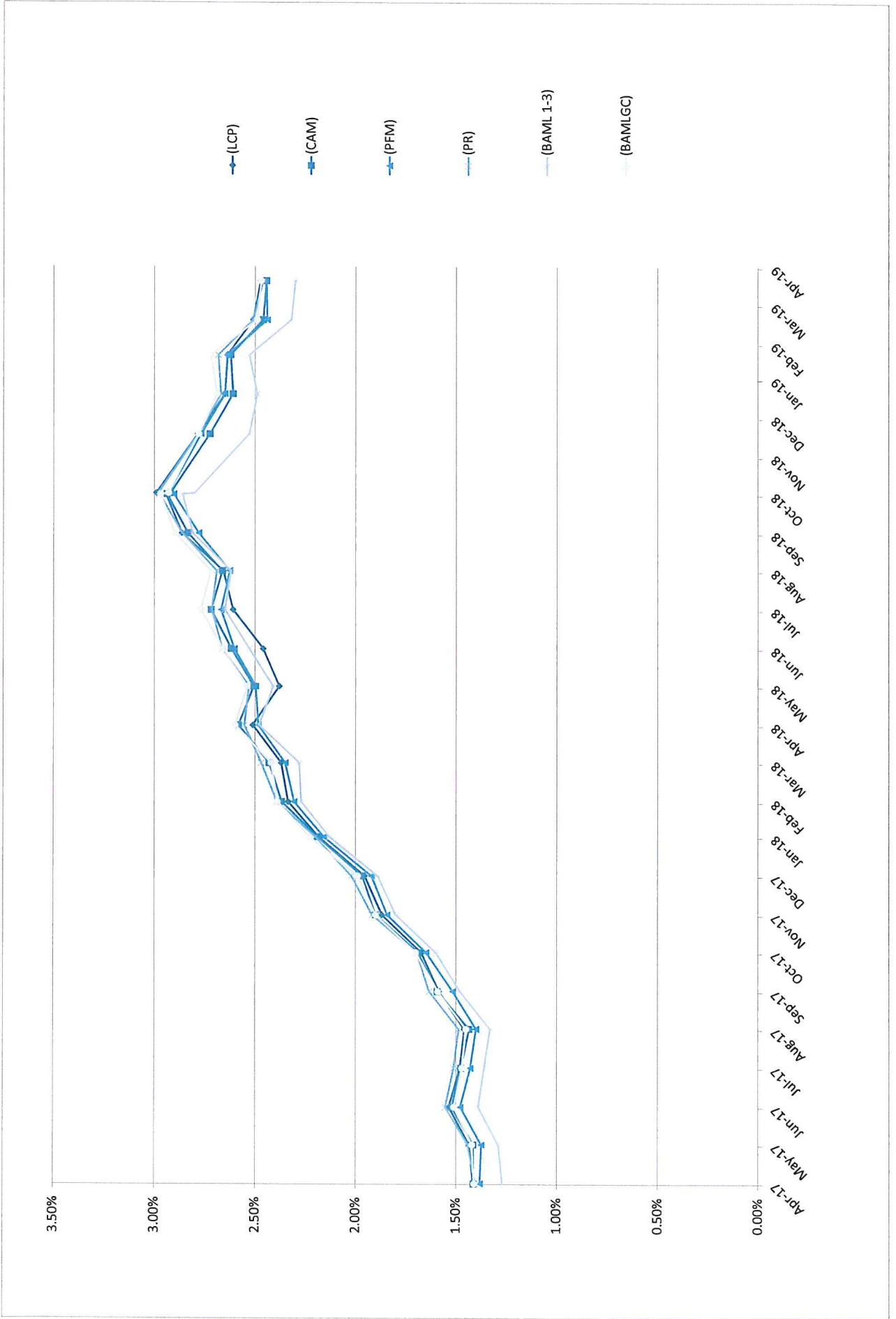


	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Apr-17	0.51%	0.54%	0.62%	0.71%	0.35%	0.55%
May-17	0.79%	0.80%	0.90%	0.93%	0.57%	0.78%
Jun-17	0.17%	0.20%	0.18%	0.49%	-0.11%	0.15%
Jul-17	0.40%	0.46%	0.38%	0.71%	0.16%	0.40%
Aug-17	0.76%	0.78%	0.74%	0.99%	0.52%	0.74%
Sep-17	0.54%	0.54%	0.49%	0.82%	0.24%	0.49%
Oct-17	0.59%	0.53%	0.57%	0.84%	0.24%	0.51%
Nov-17	0.89%	0.73%	0.94%	0.96%	0.44%	0.72%
Dec-17	0.88%	0.71%	0.87%	0.94%	0.42%	0.70%
Jan-18	0.48%	0.38%	0.41%	0.62%	0.01%	0.28%
Feb-18	0.26%	0.13%	0.18%	0.42%	-0.13%	0.07%
Mar-18	0.38%	0.24%	0.34%	0.49%	0.03%	0.19%
Apr-18	0.14%	0.02%	0.00%	0.35%	-0.26%	-0.08%
May-18	0.38%	0.21%	0.18%	0.50%	-0.02%	0.14%
Jun-18	0.41%	0.27%	0.31%	0.58%	0.08%	0.20%
Jul-18	0.22%	0.12%	0.18%	0.47%	-0.14%	0.00%
Aug-18	0.35%	0.27%	0.30%	0.60%	-0.01%	0.15%
Sep-18	0.43%	0.38%	0.39%	0.67%	0.04%	0.20%
Oct-18	0.55%	0.51%	0.52%	0.78%	0.25%	0.36%
Nov-18	0.93%	1.03%	1.02%	1.22%	0.80%	0.88%
Dec-18	1.47%	1.67%	1.67%	1.83%	1.58%	1.64%
Jan-19	2.13%	2.29%	2.41%	2.39%	2.15%	2.25%
Feb-19	2.44%	2.54%	2.67%	2.62%	2.29%	2.46%
Mar-19	2.71%	2.97%	3.12%	3.11%	2.72%	2.94%
Apr-19	3.02%	3.26%	3.45%	3.32%	3.08%	3.27%



# Comparative Yield Performance As of 4/30/19

Historical Yields  
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



## Comparative Yield Performance Cont'd

### Short-Term Portfolio Performance

---

#### Historical Yields Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks

	Logan Circle Partners <u>(LCP)</u>	Chandler Asset Mgmt <u>(CAM)</u>	Public Fin Mgmt <u>(PFM)</u>	Payden Rygel <u>(PR)</u>	ICE/BAML 1-3 Yr Trsy <u>(BAML 1-3)</u>	ICE/ BAML 1-3 Yr Gov/Corp <u>(BAMLGC)</u>
Apr-17	1.42%	1.41%	1.38%	1.41%	1.27%	1.41%
May-17	1.44%	1.42%	1.37%	1.44%	1.29%	1.42%
Jun-17	1.54%	1.52%	1.48%	1.55%	1.39%	1.51%
Jul-17	1.48%	1.48%	1.43%	1.51%	1.36%	1.47%
Aug-17	1.46%	1.44%	1.40%	1.49%	1.33%	1.45%
Sep-17	1.59%	1.59%	1.52%	1.63%	1.48%	1.59%
Oct-17	1.67%	1.69%	1.65%	1.70%	1.60%	1.70%
Nov-17	1.87%	1.90%	1.84%	1.92%	1.80%	1.90%
Dec-17	1.96%	1.97%	1.92%	2.02%	1.89%	1.99%
Jan-18	2.18%	2.19%	2.16%	2.20%	2.13%	2.23%
Feb-18	2.34%	2.37%	2.31%	2.39%	2.27%	2.39%
Mar-18	2.37%	2.43%	2.35%	2.47%	2.28%	2.42%
Apr-18	2.51%	2.58%	2.48%	2.55%	2.48%	2.60%
May-18	2.38%	2.51%	2.50%	2.53%	2.41%	2.54%
Jun-18	2.46%	2.62%	2.60%	2.66%	2.53%	2.66%
Jul-18	2.61%	2.72%	2.67%	2.72%	2.65%	2.77%
Aug-18	2.66%	2.66%	2.63%	2.69%	2.62%	2.72%
Sep-18	2.86%	2.83%	2.78%	2.86%	2.81%	2.90%
Oct-18	2.94%	2.94%	2.90%	2.98%	2.86%	2.97%
Nov-18	2.99%	2.92%	2.93%	2.98%	2.80%	2.93%
Dec-18	2.78%	2.72%	2.77%	2.78%	2.53%	2.78%
Jan-19	2.65%	2.61%	2.65%	2.67%	2.49%	2.69%
Feb-19	2.64%	2.62%	2.64%	2.68%	2.53%	2.72%
Mar-19	2.51%	2.46%	2.44%	2.51%	2.32%	2.49%
Apr-19	2.47%	2.44%	2.44%	2.46%	2.30%	2.47%

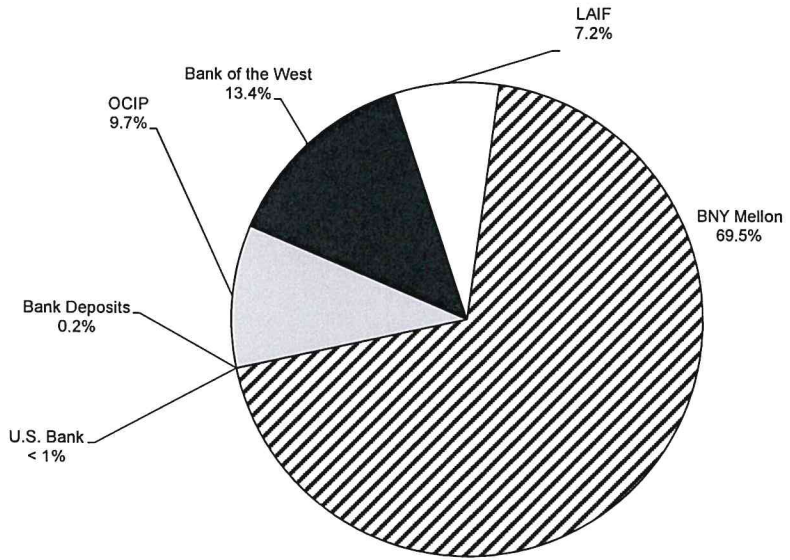
**Liquid Funds Portfolio - \$147.7 M**  
As of 4/30/19

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**Other Liquid Funds**

Book Value       \$ 147,720,589

Market Value     \$ 147,720,589

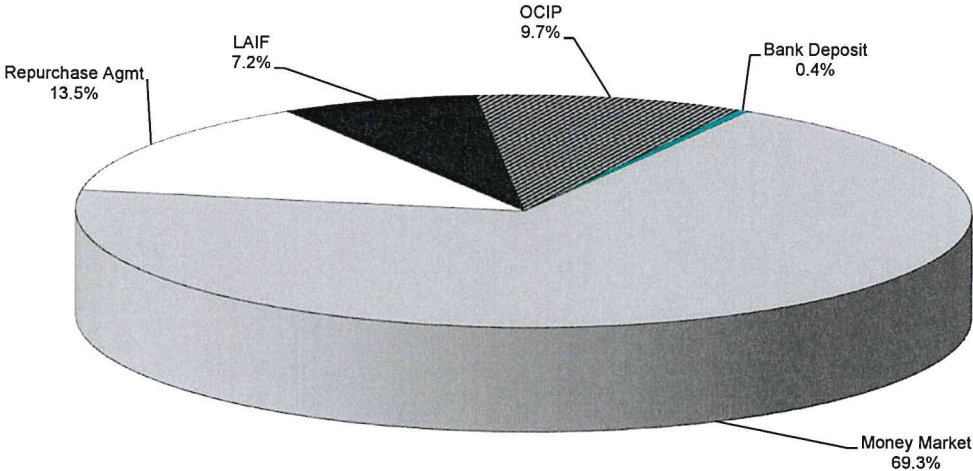


Yield Curve Change From 3/31/19 to 4/30/19			
	<u>3/31/19</u>	<u>4/30/19</u>	<u>Change</u>
1 Month	2.421%	2.408%	-0.0130%
3 Month	2.361%	2.422%	0.0610%
6 Month	2.376%	2.450%	0.0740%

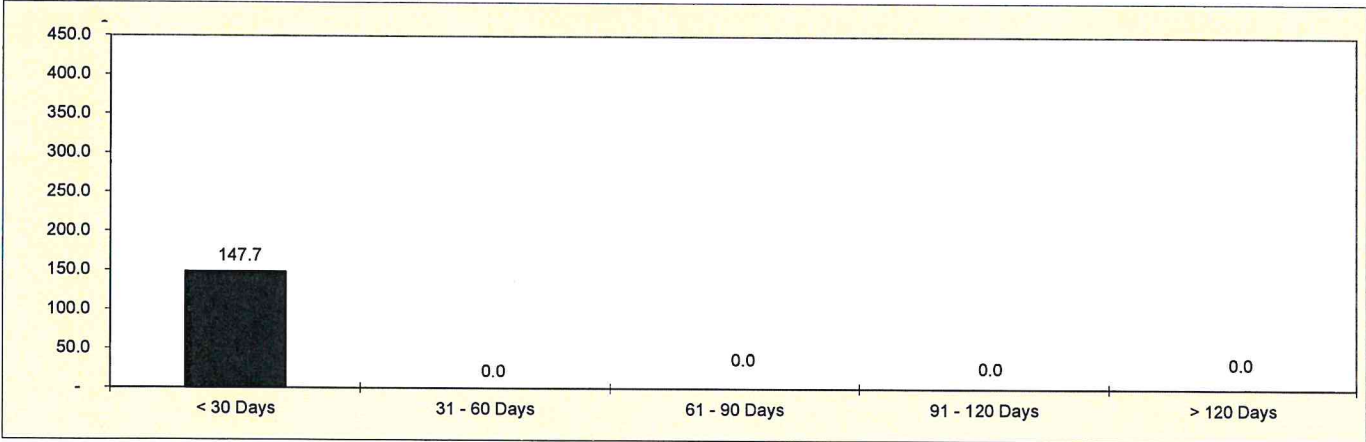
# Liquid Portfolio

## As of 4/30/19

### Total Portfolio Composition



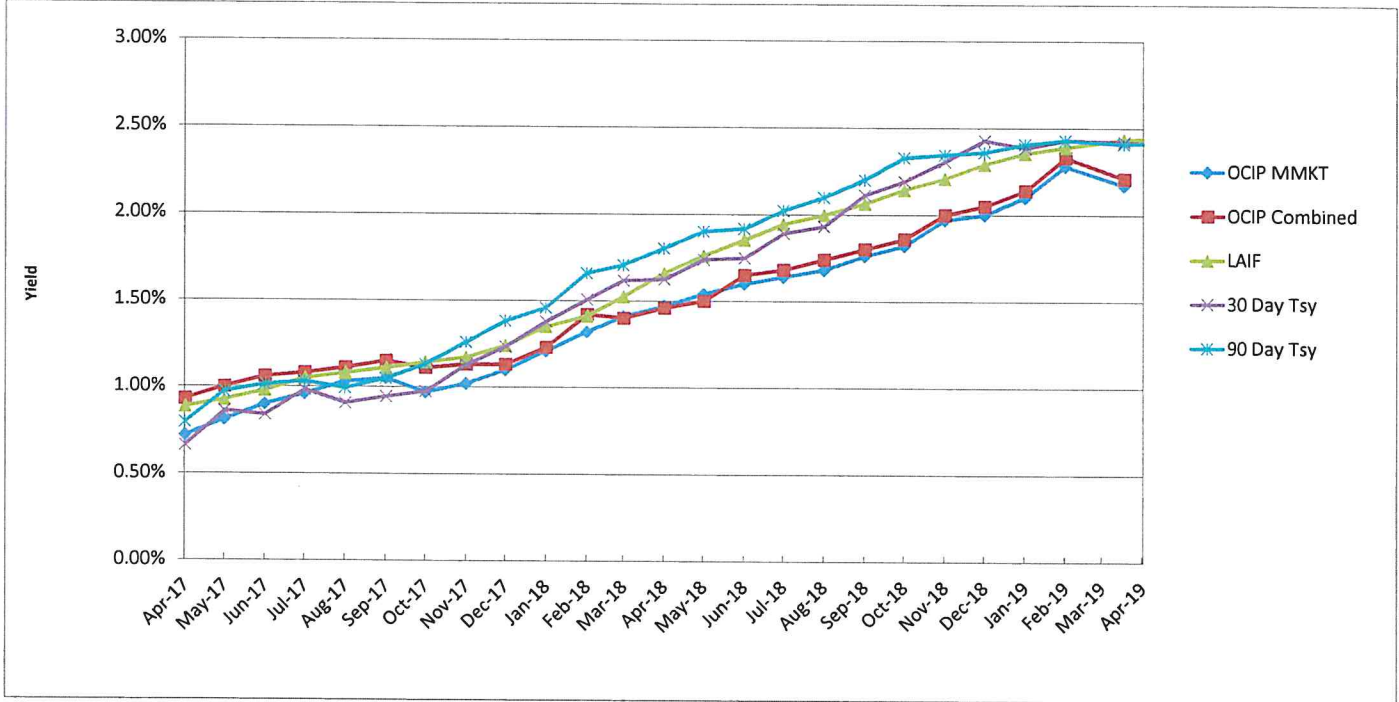
### Maturity Schedule For Liquid Portfolio



# Liquid Portfolio Performance

## As of 4/30/19

Trailing 1-Year Yield  
OCIP, LAIF, 30 & 90 Day Treasury Bills



	<u>OCIP MMKT</u>	<u>OCIP Combined</u>	<u>LAIF</u>	<u>30 Day Tsy</u>	<u>90 Day Tsy</u>
Apr-17	0.72%	0.93%	0.88%	0.66%	0.80%
May-17	0.81%	1.00%	0.93%	0.86%	0.97%
Jun-17	0.90%	1.06%	0.98%	0.84%	1.01%
Jul-17	0.96%	1.08%	1.05%	0.98%	1.03%
Aug-17	1.03%	1.11%	1.08%	0.91%	0.99%
Sep-17	1.05%	1.15%	1.11%	0.94%	1.05%
Oct-17	0.97%	1.11%	1.14%	0.98%	1.13%
Nov-17	1.02%	1.13%	1.17%	1.13%	1.26%
Dec-17	1.10%	1.13%	1.24%	1.23%	1.38%
Jan-18	1.21%	1.23%	1.35%	1.38%	1.46%
Feb-18	1.32%	1.42%	1.41%	1.51%	1.66%
Mar-18	1.41%	1.40%	1.52%	1.62%	1.71%
Apr-18	1.47%	1.46%	1.66%	1.62%	1.80%
May-18	1.54%	1.50%	1.76%	1.74%	1.90%
Jun-18	1.60%	1.65%	1.85%	1.75%	1.92%
Jul-18	1.64%	1.68%	1.94%	1.89%	2.02%
Aug-18	1.68%	1.74%	2.00%	1.93%	2.10%
Sep-18	1.76%	1.80%	2.06%	2.11%	2.20%
Oct-18	1.82%	1.86%	2.14%	2.19%	2.33%
Nov-18	1.97%	2.00%	2.21%	2.31%	2.35%
Dec-18	2.00%	2.05%	2.29%	2.43%	2.36%
Jan-19	2.10%	2.14%	2.36%	2.39%	2.41%
Feb-19	2.28%	2.33%	2.39%	2.43%	2.43%
Mar-19	2.17%	2.21%	2.44%	2.42%	2.41%
Apr-19	N/A	N/A	2.45%	2.41%	2.42%

# Investment Policy Compliance

## As of 4/30/19

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	496,203,027	23.9%	100%
Federal Agencies & U.S. Government Sponsored *	245,486,378	11.8%	100%
State of California & Local Agencies	40,285,483	1.9%	25%
Money Market Funds & Mutual Funds	145,185,657	7.0%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	21,001,977	1.0%	30%
Commercial Paper	59,017,005	2.8%	25%
Medium Term Maturity Corporate Securities	327,950,049	15.8%	30%
Mortgage and Asset-backed Securities	208,851,794	10.0%	20%**
Repurchase Agreements	20,048,982	1.0%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,610,270	0.5%	\$ 40 Million
Orange County Investment Pool (OCIP)	14,394,900	0.7%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	90,054,506	4.3%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	544,373	0.0%	5%
Guaranteed Investment Contract	400,000,000	19.2%	Not Applicable
Derivatives (hedging transactions only)	0	0.0%	5%
<b>TOTAL</b>	<b>2,079,634,400</b>	<b>100.0%</b>	

\* See attached page for a detailed listing of this category

\*\* Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

# Investment Policy Compliance

## As of 4/30/19

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### Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<i><u>Federal Agencies &amp; U.S. Government Sponsored</u></i>			
Federal Home Loan Bank (FHLB)	101,697,562	4.9%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	62,884,473	3.0%	35%
Federal Farm Credit Bank (FFCB)	37,674,091	1.8%	35%
Federal National Mortgage Association (FNMA)	68,037,293	3.3%	35%
	270,293,420 *	13.0%	

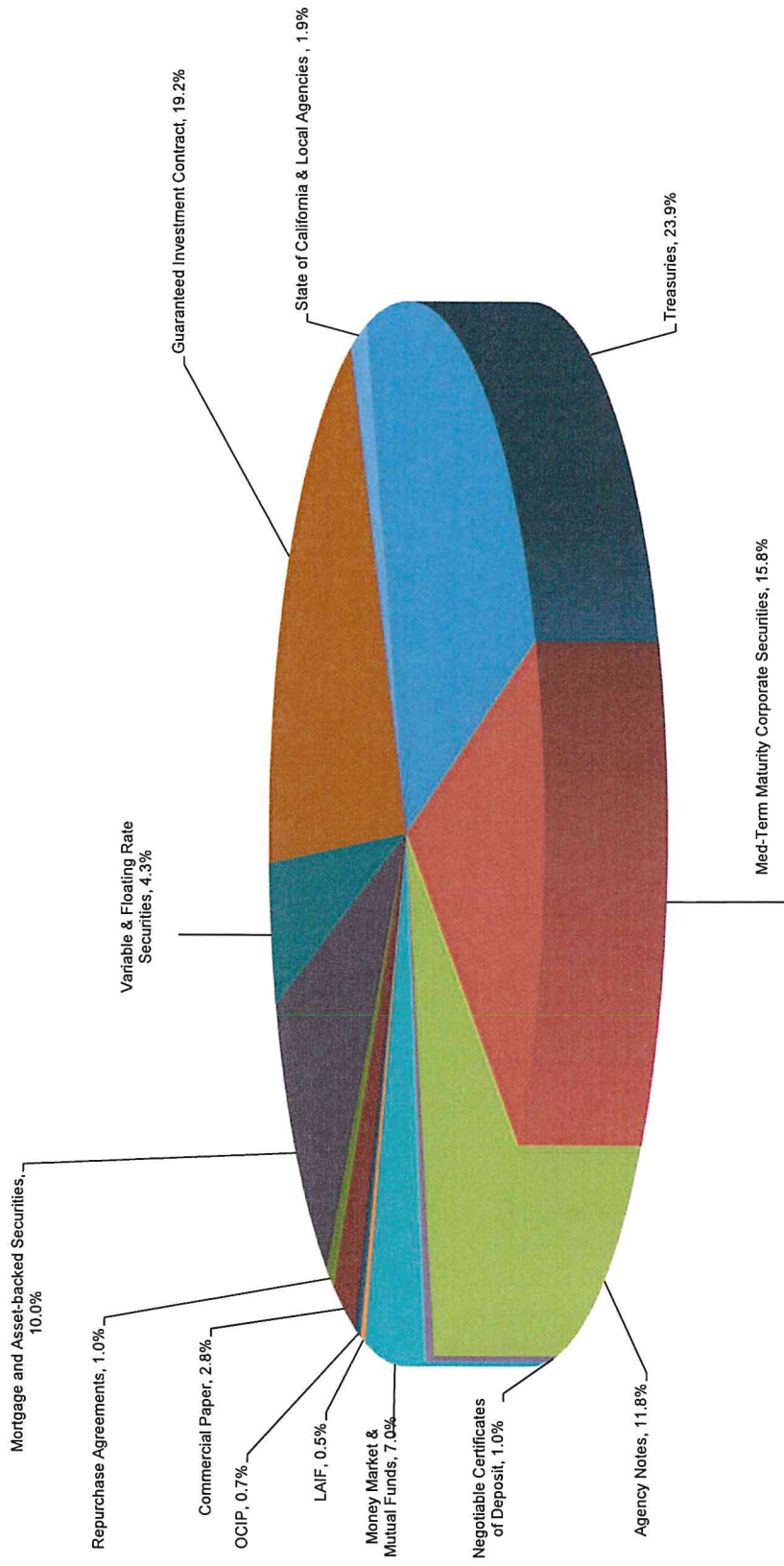
\* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

### Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	4,151	0.0%
Blackrock Institutional T-Fund	42,519,220	2.0%
Fidelity Treasury Obligations MMF	76,768,572	3.7%
Federated Treasury Obligations Fund	<u>25,893,713</u>	<u>1.2%</u>
	145,185,657	7.0%

# Investment Allocation As of 4/30/19

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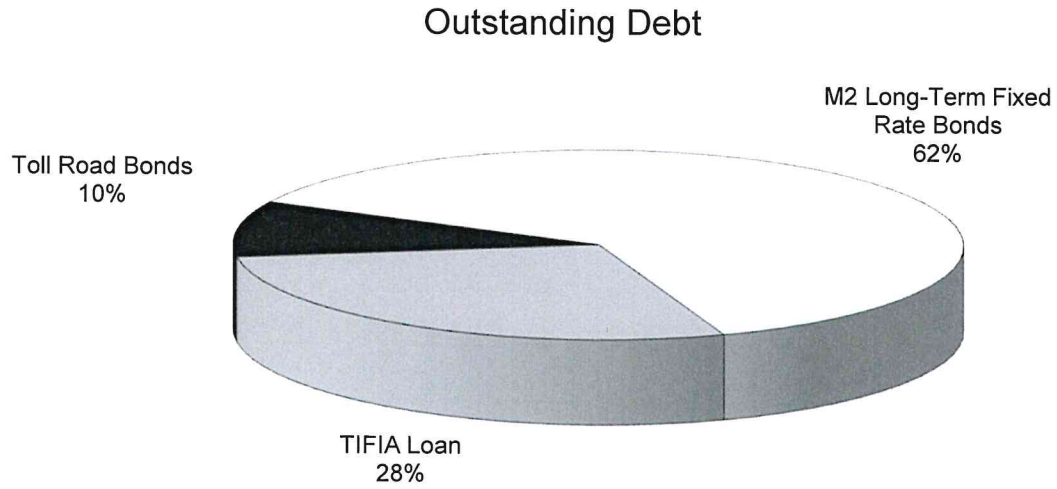


# DEBT PROGRAM

# Total Outstanding Debt

## As of 4/30/19

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**TOTAL OUTSTANDING DEBT: \$1,020,015,000**

# Outstanding Debt

## As of 4/30/19

### Orange County Local Transportation Authority (OCLTA-M2)

#### 2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2019:		19,880,488
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2041

#### 2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		8,530,000
Debt Service FY 2019:		8,914,350
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2020

#### 2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2019:		-
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings:		AA+/AA+
Final Maturity:		2041

### 91 Express Lanes

#### 2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		97,795,000
Debt Service FY 2019:		10,796,325
Pledged Revenue Source:	91 Toll Road Revenues	
Underlying Ratings		A1/AA-/A+
Final Maturity		2030

### 405 Express Lanes

#### 2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2019:	\$	6,289,028
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings		Baa2
Final Maturity		2057



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2018-19 Third Quarter Grant Reimbursement Status Report

**Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the period of January through March 2019.

**Recommendation**

Receive and file as an information item.

**Discussion**

The Orange County Transportation Authority (OCTA) has secured grant funding from federal and state grant agencies to deliver programs, projects, and services to improve mobility in Orange County. The use of these funds is consistent with capital programming policies approved by the OCTA's Board of Directors. The Quarterly Grant Reimbursement Status Report summarizes awarded/executed, current, pending-closed, and closed grant agreements.

**Awarded/Executed Grant Agreements:**

OCTA executed one discretionary grant during the third quarter, which is summarized below.

Hydrogen Detection Project – Mobile Source Air Pollution Reduction Review Committee (MSRC) Discretionary Fund.

OCTA secured \$642,000 in MSRC discretionary funding to improve preventative maintenance and heavy-duty repair facilities at the Santa Ana Base for the detection of hydrogen gas.

**Current Grant Agreements:**

OCTA's Federal Transit Administration (FTA) formula grant agreements total 11, and FTA discretionary grant agreements total four (Attachment A).

The 11 FTA formula grant agreements have a total federal amount of \$295.4 million. A total of \$267.8 million has been reimbursed, leaving a balance of approximately \$27.6 million. The balance of these 11 FTA formula grant agreements will primarily fund the OC Streetcar, Orange Parking Structure, fixed-route bus procurements, rideshare and vanpool programs, the Laguna Niguel/San Juan Capistrano passing siding project, and rail rehabilitation projects.

The four FTA discretionary grant agreements have a total federal amount of \$166.8 million. This includes the full funding grant agreement award of \$148.9 million. A total of \$22.4 million has been reimbursed, leaving a balance of \$144.4 million. The balance of these four FTA discretionary grant agreements will primarily fund the OC Streetcar and slope stabilization improvements on the railroad right-of-way from the City of Laguna Niguel to the City of Lake Forest. The balance will also fund security camera surveillance systems for commuter rail stations and transit facilities located in the cities of Anaheim, Garden Grove, Laguna Niguel/Mission Viejo, Orange, Placentia, and Santa Ana.

The total FTA formula and discretionary grant agreements amount to \$462.2 million. The total amount reimbursed through the third quarter under these grant agreements is \$290.2 million, leaving a balance of \$172 million.

OCTA also has 45 State and Federal Highway Administration (FHWA) formula grant agreements (Attachment B) and 13 active State discretionary grant agreements (Attachment C).

The 45 State and FHWA formula grant agreements total \$375.5 million. The total amount reimbursed through the third quarter under these other grant agreements is \$275.8 million, leaving a balance of \$99.7 million.

The 13 State discretionary grant agreements total approximately \$10 million. A total of \$212,555 of these discretionary grant agreements has been reimbursed, leaving a balance of \$9.8 million. These State discretionary grant agreements have a defined grant expiration date. Project expenses must be fully paid and reimbursed prior to the grant agreement expiration date.

This report activity is as of March 31, 2019, and any grants with a deadline between the quarter end and the date this report is published will be fully reimbursed and closed out. This activity will be reflected in next quarter's report. Additionally, for all of these grants, staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

**Grant Agreements Pending Close-out:**

There are four grant agreements totaling \$5.5 million which are pending close-out in the third quarter of fiscal year (FY) 2018-19. All invoices for these grant agreements have been submitted to the external funding agency for reimbursement, and OCTA is pending final payment and/or approval of close-out documentation. These grant agreements are summarized in Attachment D.

**Closed Grant Agreements:**

There are six grant agreements totaling \$83.8 million that were closed out in the third quarter of FY 2018-19. These grant agreements are summarized in Attachment E.

**Summary**

This report provides an update of the grant agreement funded activities for the third quarter of FY 2018-19, January through March 2019. Staff recommends this report be received and filed as an information item.

**Attachments**

- A. Third Quarter Grant Reimbursement Status Report, January through March 2019, Federal Transit Administration Formula and Discretionary Grant Agreements
- B. Third Quarter Grant Reimbursement Status Report, January through March 2019, State and Federal Highway Administration Formula Grant Agreements
- C. Third Quarter Grant Reimbursement Status Report, January through March 2019, State Discretionary Grant Agreements
- D. Third Quarter Grant Reimbursement Status Report, January through March 2019, Grant Agreements Pending Close-out
- E. Third Quarter Grant Reimbursement Status Report, January through March 2019, Closed Grant Agreements

**Prepared by:**



Sam Kaur  
Department Manager,  
Revenue and Grants Administration  
714-560-5889

**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
714-560-5649

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

Federal Transit Administration Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>FTA Section 5307 - Urbanized Area Formula Grant Program</b>						
1	2012	CA-90-Y942	\$ 57,746,965	\$ 57,618,240	\$ 128,725	June 2019
2	2013	CA-90-Z027	53,878,508	53,484,974	393,534	June 2021
3	2014	CA-90-Z174	55,129,189	55,077,539	51,650	December 2019
4	2015	CA-2016-032	55,400,721	54,875,456	525,265	December 2019
<b>FTA Section 5307 Grant Subtotal</b>			<b>\$ 222,155,383</b>	<b>\$ 221,056,209</b>	<b>\$ 1,099,174</b>	
<b>FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA):</b>						
5	2010	CA-95-X131	\$ 2,102,650	\$ 1,555,388	\$ 547,262	December 2019
6	2013	CA-95-X210	12,669,000	12,422,949	246,051	June 2019
7	2013	CA-95-X254	5,657,000	4,243,853	1,413,147	June 2019
8	2014	CA-95-X286	6,621,000	5,090,677	1,530,323	October 2021
9	2017	CA-2017-072	31,567,405	12,110,442	19,456,963	October 2021
<b>FTA Section 5307 Flexed Grant Subtotal</b>			<b>\$ 58,617,055</b>	<b>\$ 35,423,309</b>	<b>\$ 23,193,746</b>	
<b>FTA Section 5310 - Enhanced Mobility of Seniors &amp; Individuals with Disabilities Grant Program</b>						
10	2013	64AM16-00157	\$ 630,416	\$ 433,712	\$ 196,704	June 2019
<b>FTA Section 5310 Grant Subtotal</b>			<b>\$ 630,416</b>	<b>\$ 433,712</b>	<b>\$ 196,704</b>	
<b>FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program</b>						
11	2008	CA-37-X113	\$ 13,962,488	\$ 10,869,688	\$ 3,092,800	September 2019
<b>FTA Section 5316 Grant Subtotal</b>			<b>\$ 13,962,488</b>	<b>\$ 10,869,688</b>	<b>\$ 3,092,800</b>	
<b>Federal Transit Administration Formula Grants Total</b>			<b>\$ 295,365,342</b>	<b>\$ 267,782,918</b>	<b>\$ 27,582,424</b>	
	FEDERAL FISCAL YEAR (FFY)	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>FTA Section 5309 - Discretionary Capital Grant Program</b>						
12	2008	CA-04-0078	\$ 7,021,300	\$ 5,974,087	\$ 1,047,213	April 2019
13	2009	CA-04-0122	4,845,999	4,370,682	475,317	December 2020
14	2012	CA-05-0269	6,000,000	3,933,457	2,066,543	March 2020
<b>FTA Section 5309 Grant Subtotal</b>			<b>\$ 17,867,299</b>	<b>\$ 14,278,226</b>	<b>\$ 3,589,073</b>	
<b>FTA Section 5309 - Discretionary Capital Grant Program (FFGA)</b>						
15	2019	CA-2019-018	\$ 148,955,409	\$ 8,157,775	\$ 140,797,634	June 2021
<b>FTA Section 5309 FFGA Grant Subtotal</b>			<b>\$ 148,955,409</b>	<b>\$ 8,157,775</b>	<b>\$ 140,797,634</b>	

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

Federal Transit Administration Formula and Discretionary Grant Agreements				
<b>Federal Transit Administration Discretionary Grants Total</b>	\$	166,822,708	\$	22,436,001
			\$	144,386,707
<b>Total Federal Transit Administration Formula and Discretionary Grant Agreements</b>	\$	462,188,050	\$	290,218,919
			\$	171,969,131

Funding Source Notes:

FTA Section 5307 - Urbanized Area Formula Grant Program: Funds are used to fund preventive maintenance, capital cost of contracting, and to purchase revenue vehicles, facility modifications, and bus-related equipment.

FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program: Formula funding to states for the purpose of assisting nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities.

FTA Section 5316 - Jobs Access and Reverse Commute (JARC) Grant Program: Grants provide funds to support new transit services and to establish mobility management programs to assist low-income individuals.

FTA Section 5309 - Discretionary Capital Grant Program: Grants provide for projects that improve efficiency and coordination of transportation systems.

FTA Section 5309 - Discretionary Capital Grant Program (FFGA): Grants provide for projects that improve efficiency and coordination of transportation systems.



**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

<b>State and Federal Highway Administration Formula Grant Agreements</b>						
	<b>FISCAL YEAR (FY)</b>	<b>PROJECT</b>	<b>GRANT AMOUNT</b>	<b>AMOUNT REIMBURSED</b>	<b>REMAINING BALANCE</b>	<b>ANTICIPATED CLOSE-OUT</b>
<b>Active Transportation Program (ATP)</b>						
1	2017	Orange County Active Transportation Plan (PS&E)	\$ 280,000	\$ 251,106	\$ 28,894	May 2019
<b>ATP Subtotal</b>			<b>\$ 280,000</b>	<b>\$ 251,106</b>	<b>\$ 28,894</b>	
<b>Federal Highway Administration Grant Program - Congestion Mitigation &amp; Air Quality (CMAQ)</b>						
2	2010	Orangethorpe Ave Grade Separation (ROW)	\$ 27,504,000	\$ 24,098,211	\$ 3,405,789	June 2019
3	2011	Lakeview Ave Grade Separation (ROW)	6,532,000	6,532,000	0	June 2019
4	2012	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (PS&E)	4,246,000	3,213,204	1,032,796	June 2020
5	2012	I-5 HOV Segment 3, PCH to San Juan Creek Rd (PS&E)	2,067,000	1,558,921	508,079	June 2019
6	2012	Lakeview Ave Grade Separation (ROW Utility Relocation)	3,135,862	60,901	3,074,961	June 2019
7	2013	I-5 HOV Segment 1, Ave Pico to Vista Hermosa (ROW)	8,000,000	4,009,067	3,990,933	June 2020
8	2015	I-5 from the Orange/San Diego County Line to Avenida Pico (PA/ED)	450,000	431,447	18,553	June 2020
9	2015	I-5, SR-55 to SR-57 (PS&E)	2,800,000	2,352,003	447,997	June 2020
<b>CMAQ Subtotal</b>			<b>\$ 54,734,862</b>	<b>\$ 42,255,754</b>	<b>\$ 12,479,108</b>	
<b>Federal Highway Administration Grant Program - Regional Surface Transportation Program (RSTP)</b>						
10	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW Utility Relocation)	\$ 2,254,000	\$ 0	\$ 2,254,000	June 2019
11	2011	Tustin Ave / Rose Dr Grade Separation Project (ROW)	21,494,000	19,594,690	1,899,310	June 2019
12	2012	Lakeview Ave Grade Separation (ROW)	11,527,563	11,527,563	0	June 2019
13	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	8,700,440	7,941,427	759,013	June 2019
14	2013	I-5, I-405 to SR-55 (PA/ED)	8,000,000	6,084,046	1,915,954	June 2020
15	2014	I-5 Segment 2, Oso Pkwy to Alicia Pkwy (PS&E)	10,000,000	9,739,572	260,428	June 2021
16	2015	I-405, I-5 to SR-55 (PA/ED)	8,000,000	6,368,363	1,631,637	June 2020
17	2015	I-5 Segment 1, SR-73 to Oso Pkwy (PS&E)	9,101,000	8,633,382	467,618	June 2020
18	2015	I-5 Segment 3, Alicia Pkwy to El Toro Rd (PS&E)	8,044,000	6,815,536	1,228,464	June 2020
19	2015	SR-91, SR-57 to SR-55 (PA/ED)	7,000,000	4,075,897	2,924,103	June 2020
20	2016	SR-57, Orangewood to Katella Ave (PA/ED)	2,500,000	1,423,091	1,076,909	June 2021
21	2017	SR-55, I-5 to SR-91 (PS&E)	5,000,000	2,433,843	2,566,157	June 2022
<b>RSTP Subtotal</b>			<b>\$ 101,621,003</b>	<b>\$ 84,637,410</b>	<b>\$ 16,983,593</b>	
<b>Federal Highway Administration Grant Program - State Transportation Block Grant (STBG)</b>						
22	2016	I-405, SR-73 to I-605 (Construction)	\$ 1,000	\$ 0	\$ 1,000	June 2021
23	2018	SR-55, I-405 to I-5 (PS&E)	13,800,000	5,623,757	8,176,243	June 2023
<b>STBG Subtotal</b>			<b>\$ 13,801,000</b>	<b>\$ 5,623,757</b>	<b>\$ 8,177,243</b>	

**ATTACHMENT B**

**Third Quarter Grant Reimbursement Status Report**

**January through March 2019**

<b>State and Federal Highway Administration Formula Grant Agreements</b>						
	<b>FISCAL YEAR (FY)</b>	<b>PROJECT</b>	<b>GRANT AMOUNT</b>	<b>AMOUNT REIMBURSED</b>	<b>REMAINING BALANCE</b>	<b>ANTICIPATED CLOSE-OUT</b>
<b>Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)</b>						
24	2017	Bus Bicycle Racks	\$ 766,345	\$ 142,090	\$ 624,255	June 2021
25	2018	Bravo! Route 529 Start-up & Operations	4,787,534	220,730	4,566,804	June 2022
<b>CAP &amp; TRADE LCTOP Subtotal</b>			<b>\$ 5,553,879</b>	<b>\$ 362,821</b>	<b>\$ 5,191,058</b>	
<b>Safe, Accountable, Flexible, Efficient Transportation Equity Act: LU Demo</b>						
26	2012	Orangethorpe Ave Grade Separation (Construction)	\$ 18,600,000	\$ 17,669,800	\$ 930,200	June 2019
<b>SAFETEA-LU Demo Subtotal</b>			<b>\$ 18,600,000</b>	<b>\$ 17,669,800</b>	<b>\$ 930,200</b>	
<b>SAFETEA-LU: Projects of National and Regional Significance (PNRS)</b>						
27	2013	Lakeview Ave Grade Separation (Construction)	\$ 9,709,030	\$ 6,954,405	\$ 2,754,625	June 2020
<b>SAFETEA-LU-PNRS Subtotal</b>			<b>\$ 9,709,030</b>	<b>\$ 6,954,405</b>	<b>\$ 2,754,625</b>	
<b>State Proposition 1B California Transit Security Grant Program (CTSGP): Transit System Safety, Security &amp; Disaster Response Account (TSSSDRA)</b>						
28	2015	Transit Security Operation Center (PS&E)	\$ 2,741,643	\$ 371,462	\$ 2,370,181	June 2019
29	2015	Video Surveillance System Upgrades (Construction)	100,000	0	100,000	June 2019
30	2016	Raymond Ave Grade Separation Project (Construction)	200,000	200,000	0	June 2019
31	2016	Transit Security Operation Center (PA/ED)	3,180,574	0	3,180,574	June 2019
32	2016	Video Surveillance System Upgrades (Construction)	140,000	0	140,000	June 2019
33	2017	Bus Maintenance Facility Improvements (Construction)	450,000	0	450,000	June 2019
34	2017	Rail Rehabilitation (Construction)	380,000	0	380,000	June 2019
35	2017	San Juan Creek Rail Bridge Replacement (ROW)	160,000	58,950	101,050	June 2019
36	2017	Transit Security Operation Center (ROW)	26,459	0	26,459	June 2019
37	2017	Video Surveillance System Upgrades (Construction)	1,800,000	0	1,800,000	June 2019
<b>PROP 1B TSSSDRA Subtotal</b>			<b>\$ 9,178,676</b>	<b>\$ 630,412</b>	<b>\$ 8,548,264</b>	
<b>State Proposition 1B: Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)</b>						
38	2015	Fullerton Transportation Center Elevator Project (Construction)	\$ 500,000	\$ 500,000	\$ 0	May 2020
39	2015	Raymond Ave Grade Separation Project (Construction)	44,234,008	41,737,242	2,496,766	May 2020
<b>PROP 1B PTMISEA Subtotal</b>			<b>\$ 44,734,008</b>	<b>\$ 42,237,242</b>	<b>\$ 2,496,766</b>	
<b>State Proposition 1B: Trade Corridor Improvement Fund (TCIF)</b>						
40	2012	Orangethorpe Ave Grade Separation (Construction)	\$ 41,632,000	\$ 28,633,857	\$ 12,998,143	June 2019
41	2012	Tustin Ave / Rose Dr Grade Separation Project (Construction)	30,862,000	21,455,738	9,406,262	June 2019
42	2013	Lakeview Ave Grade Separation (Construction)	27,628,157	17,713,988	9,914,169	June 2020
<b>PROP 1B TCIF Subtotal</b>			<b>\$ 100,122,157</b>	<b>\$ 67,803,583</b>	<b>\$ 32,318,574</b>	

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>State Transportation Improvement Plan (STIP) Programming, Planning &amp; Monitoring (PPM)</b>						
43	2017	PPM Program	\$ 1,899,000	\$ 529,039	\$ 1,369,961	December 2019
44	2018	PPM Program	1,482,000	0	1,482,000	December 2019
<b>STIP PPM Subtotal</b>			<b>\$ 3,381,000</b>	<b>\$ 529,039</b>	<b>\$ 2,851,961</b>	
<b>State Transportation Improvement Program (PTA)</b>						
45	2016	Orange Transportation Center Parking Structure (Construction)	\$ 13,762,000	\$ 6,867,357	\$ 6,894,643	December 2020
<b>STIP PTA Subtotal</b>			<b>\$ 13,762,000</b>	<b>\$ 6,867,357</b>	<b>\$ 6,894,643</b>	
<b>Total State and Federal Highway Administration Formula Grant Agreements</b>			<b>\$ 375,477,615</b>	<b>\$ 275,822,684</b>	<b>\$ 99,654,931</b>	

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

State Discretionary Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC) / Transportation Control Measure Partnersh</b>						
1	2015	Bicycle Corridor Improvement	\$ 851,883	\$ 0	\$ 851,883	June 2020
2	2019	Hydrogen Detection	642,000	0	642,000	July 2020
3	2019	La Habra Union Pacific Rail Bikeway	91,760	0	91,760	November 2023
<b>MSRC Subtotal</b>			<b>\$ 1,585,643</b>	<b>\$ 0</b>	<b>\$ 1,585,643</b>	
<b>Highway Safety Plan (HSP) - California Office of Traffic Safety (OTS)</b>						
4	2019	Bicycle & Pedestrian Facilities Program	\$ 75,000	\$ 0	\$ 75,000	October 2019
<b>OTS Subtotal</b>			<b>\$ 75,000</b>	<b>\$ 0</b>	<b>\$ 75,000</b>	
<b>Systemic Safety Analysis Reporting Program</b>						
5	2016	Systemic Safety Analysis Report	\$ 315,000	\$ 183,724	\$ 131,276	September 2021
<b>SSARP Subtotal</b>			<b>\$ 315,000</b>	<b>\$ 183,724</b>	<b>\$ 131,276</b>	
<b>Transit and Intercity Rail Capital Program</b>						
6	2017	Mobile Ticketing (Construction)	\$ 2,482,000	\$ 0	\$ 2,482,000	December 2019
<b>CAP &amp; TRADE TIRCP Subtotal</b>			<b>\$ 2,482,000</b>	<b>\$ 0</b>	<b>\$ 2,482,000</b>	
<b>Transit Security Grant Program (TSGP) - State Office of Homeland Security</b>						
7	2017	Be The One Campaign	\$ 75,000	\$ 28,831	\$ 46,169	August 2020
<b>TSGP Subtotal</b>			<b>\$ 75,000</b>	<b>\$ 28,831</b>	<b>\$ 46,169</b>	
<b>SB 1: Local Partnership Program</b>						
8	2018	Garden Grove Blvd Signal Synchronization (Construction)	\$ 1,353,000	\$ 0	\$ 1,353,000	December 2023
9	2018	Los Olisos Blvd Signal Synchronization (Construction)	1,117,000	0	1,117,000	December 2023
10	2018	Main Street Signal Synchronization (Construction)	1,926,000	0	1,926,000	December 2023
<b>SB1 LPP Subtotal</b>			<b>\$ 4,396,000</b>	<b>\$ 0</b>	<b>\$ 4,396,000</b>	
<b>SB 1: Adaptation Planning Grant</b>						
11	2019	Orange County Rail Infrastructure Defense Against Climate Change	\$ 461,771	\$ 0	\$ 461,771	February 2021
<b>SB1 Adaptation Planning Subtotal</b>			<b>\$ 461,771</b>	<b>\$ 0</b>	<b>\$ 461,771</b>	
<b>SB 1: Sustainable Communities</b>						
12	2019	Safe Routes to School Action Plan	\$ 264,000	\$ 0	\$ 264,000	February 2021
<b>SB1 Sustain Communities Subtotal</b>			<b>\$ 264,000</b>	<b>\$ 0</b>	<b>\$ 264,000</b>	
<b>Caltrans State Planning and Research Grant</b>						
13	2018	SR-39 Beach Boulevard Corridor Study	\$ 345,000	\$ 0	\$ 345,000	February 2020
<b>SPR Subtotal</b>			<b>\$ 345,000</b>	<b>\$ 0</b>	<b>\$ 345,000</b>	

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

State Discretionary Grant Agreements						
<b>Total State Discretionary Grant Agreements</b>	\$	9,999,414	\$	212,555	\$	9,786,859

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

Grant Agreements Pending Close-out						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2016	CAP & TRADE LCTOP	Bravo! Route 529 Bus Acquisition	\$ 3,045,578	\$ 3,045,578	\$ 0
2	2016	MSRC	Bus Rehab & Repower - 40' buses	1,470,000	1,470,000	0
3	2017	MSRC	OC Fair Express	834,222	405,709	428,513
4	2017	SHA-SC	Active Transportation Count	177,000	102,605	74,395
<b>Total Grant Agreements Pending Close-out</b>				<b>\$ 5,526,800</b>	<b>\$ 5,023,892</b>	<b>\$ 502,908</b>

**Third Quarter Grant Reimbursement Status Report  
January through March 2019**

Closed Grant Agreements						
	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2011	CMAQ	FTA CA-95-X180	\$ 4,260,000	\$ 4,260,000	\$ 0
2	2012	CMAQ	I-5 HOV Segment 2, Vista Hermosa to PCH (PS&E)	3,687,000	2,280,415	1,406,585 <sup>1</sup>
3	2017	FTA Section 5307	FTA CA-2018-121	65,884,232	65,884,232	0
4	2017	FTA Section 5337	FTA CA-2018-068	4,261,029	4,261,029	0
5	2017	FTA Section 5339	FTA CA-2018-067	5,221,160	5,221,160	0
6	2017	MSRC	Angels Express Train Service	503,272	456,145	47,127 <sup>2</sup>
<b>Total Closed Grants</b>				<b>\$ 83,816,693</b>	<b>\$ 82,362,981</b>	<b>\$ 1,453,712</b>

1. Balance will be de-obligated and programmed to a future eligible CMAQ project.
2. Cost savings of \$47,127 reverted back to MSRC.



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Agreement with the California Highway Patrol for Enforcement Services on the 91 Express Lanes

**Overview**

The Amended and Restated Development Franchise Agreement, entered into between the California Department of Transportation and the California Private Transportation Company, requires the California Highway Patrol to provide enforcement services on the 91 Express Lanes. With the purchase of the 91 Express Lanes, the Orange County Transportation Authority assumed all agreements from the California Private Transportation Company. The California Highway Patrol is requiring a new agreement to be established with the Orange County Transportation Authority for toll and traffic enforcement services on the 91 Express Lanes.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-1172, between the Orange County Transportation Authority and California Highway Patrol, for a contract term of ten years, in an amount not to exceed \$12,326,335, for toll and traffic enforcement services on the 91 Express Lanes.

**Background**

The California Private Transportation Company (CPTC) entered into an Amended and Restated Development Franchise Agreement (Franchise Agreement) with the California Department of Transportation to which CPTC was granted the right to develop, construct, and operate the 91 Express Lanes. Pursuant to the Franchise Agreement, CPTC was required to enter into a Police Services Agreement (PSA) with the California Highway Patrol (CHP) to provide toll and traffic enforcement services for the 91 Express Lanes. The PSA was executed in June 1993, with the contract term expiring upon the termination of the Franchise Agreement.



***Discussion***

In January 2003, the Orange County Transportation Authority (OCTA) acquired the assets and franchise rights to operate the 91 Express Lanes from CPTC. As part of the purchase, OCTA assumed CPTC's liabilities and agreements that were in place, including the PSA with the CHP. The CHP provides routine patrol services, including toll and traffic enforcements, incident response, traffic control, and other services, in addition to supplemental enforcement services, at the request of OCTA. On a regular basis, the CHP provides OCTA with the average hourly and mileage rates, although the invoices reflect the actual rates of the officers that worked the assignments and mileage used during the patrols.

In late December 2018, the CHP informed OCTA staff that since the PSA was executed more than 15 years ago, the CHP is requiring a new agreement to be established for the enforcement services for the 91 Express Lanes. This agreement would be retroactive to July 1, 2018, as the CHP has not yet billed for the prior period.

Consistent with the PSA, OCTA will reimburse the CHP for the actual costs, which are comprised of officer rates and any associated mileage incurred at the time services are provided. The CHP will provide officers daily during the hours of 5:30 a.m. to 10:00 p.m., as well as any supplemental enforcement services as requested by OCTA and agreed upon by the CHP. This agreement would be effective as of July 1, 2018 through June 30, 2028, with a not-to-exceed maximum obligation of \$12,326,335. The amount requested includes an additional 20 percent to accommodate increased enforcement services at the request of OCTA.

**Fiscal Impact**

Funds are included in OCTA's Fiscal Year 2018-19 Budget, 91 Express Lanes Account 0036-7616-B0200-9Y4, and will be included in the 91 Express Lanes budget for the subsequent years.

***Summary***

Staff is recommending the Board of Directors authorize the Chief Executive Officer to execute Agreement No. C-9-1172, with the California Highway Patrol, to provide toll and traffic enforcement services for the 91 Express Lanes, in an amount not to exceed \$12,326,335, for a contract term of ten years.

***Attachment***

- A. State of California – Department of General Services, Standard Agreement

***Prepared by:***



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Kirk Avila  
General Manager  
Express Lanes Programs  
(714) 560-5674

***Approved by:***



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Ken Phipps  
Deputy Chief Executive Officer  
Executive Office  
(714) 560-5637



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
(714) 560-5623

**STANDARD AGREEMENT**

STD 213 (Rev. 03/2019)

AGREEMENT NUMBER

18R675001

PURCHASING AUTHORITY NUMBER (If Applicable)

1. This Agreement is entered into between the Contracting Agency and the Contractor named below:

CONTRACTING AGENCY NAME

Department of California Highway Patrol

CONTRACTOR NAME

Orange County Transportation Authority (OCTA)

2. The term of this Agreement is:

START DATE

07/01/2018

THROUGH END DATE

06/30/2028

3. The maximum amount of this Agreement is:

\$12,326,335.00 Twelve Million Three Hundred Twenty Six Thousand Three Hundred Thirty Five Dollars and Zero Cents

4. The parties agree to comply with the terms and conditions of the following exhibits, which are by this reference made a part of the Agreement.

EXHIBITS	TITLE	PAGES
Exhibit A	Scope of Work	2
Exhibit B	Budget Detail and Payment Provisions	1
Exhibit C	General Terms and Conditions	4
Exhibit D	Special Terms and Conditions	1

Items shown with an asterisk (\*), are hereby incorporated by reference and made part of this agreement as if attached hereto.

These documents can be viewed at <https://www.dgs.ca.gov/OLS/Resources>

IN WITNESS WHEREOF, THIS AGREEMENT HAS BEEN EXECUTED BY THE PARTIES HERETO.

**CONTRACTOR**

CONTRACTOR NAME (if other than an individual, state whether a corporation, partnership, etc.)

Orange County Transportation Authority (OCTA)

CONTRACTOR BUSINESS ADDRESS

550 S. Main Street

CITY

Orange

STATE

CA

ZIP

92863-

PRINTED NAME OF PERSON SIGNING

TITLE

CONTRACTOR AUTHORIZED SIGNATURE

DATE SIGNED

**STATE OF CALIFORNIA**

CONTRACTING AGENCY NAME

Department of California Highway Patrol

CONTRACTING AGENCY ADDRESS

601 North 7th Street

CITY

Sacramento

STATE

CA

ZIP

95811

PRINTED NAME OF PERSON SIGNING

P. Sliney

TITLE

Assistant Chief, Administrative Services Division

CONTRACTING AGENCY AUTHORIZED SIGNATURE

DATE SIGNED

CALIFORNIA DEPARTMENT OF GENERAL SERVICES APPROVAL

EXEMPTION (If Applicable)

**EXHIBIT A  
 (Standard Agreement)**

**SCOPE OF WORK**

1. The Contractee, Orange County Transportation Authority (OCTA) agrees to reimburse the Department of California Highway Patrol (CHP) for costs associated with traffic / toll violation enforcement related services provided by the CHP Santa Ana Area office. CHP agrees to provide uniformed personnel and enforcement vehicles staged at toll locations on the Orange County Segment of the SR-91 Express Lanes to observe toll violations.

CHP will take appropriate enforcement action on vehicles which use the toll lanes without a FasTrak ® transponder properly mounted on their vehicle or use the HOV3+ lane without meeting the minimum passenger and transponder requirements.

2. The services shall be provided during:

The hours of duty performed by CHP officer(s) under this Agreement are those mutually agreed upon by the Project Representatives listed below, or designees. Any changes to the proposed plan such as additional hours, dates, and sites for traffic enforcement can be requested and/or on an "as needed" basis and must be mutually agreed upon by the local CHP command and OCTA.

3. The project representatives during the term of this agreement will be:

STATE AGENCY		CONTRACTEE	
Department of California Highway Patrol		Orange County Transportation Authority (OCTA)	
NAME		NAME	
Officer Scott Helberg, Santa Ana Area office		Virginia Abadessa, Director, Contracts Administration and Materials Management	
TELEPHONE NUMBER	FAX NUMBER	TELEPHONE NUMBER	EMAIL
714-567-6000	714-547-8344	714-560-5623	vabadessa@octa.net

Direct all inquiries to:

STATE AGENCY		CONTRACTEE	
Department of California Highway Patrol		Orange County Transportation Authority	
SECTION/UNIT			
Business Services Section/Contract Services Unit			
ATTENTION		ATTENTION	
MaDonna Young, Associate Contract Analyst		Ellen Lee, Project Manager	
ADDRESS		ADDRESS	
601 North 7 <sup>th</sup> Street Sacramento, CA 95811		550 S. Main Street Orange, CA 92863-1584	
TELEPHONE NUMBER		TELEPHONE NUMBER	EMAIL
(916) 843-3623		714-560-5988	elee@octa.net

**EXHIBIT A**  
**(Standard Agreement)**

**SCOPE OF WORK** *(Continued)*

5. Detailed description of work to be performed:
  - A. CHP Santa Ana Area office shall provide CHP officer(s) with vehicles and coordinate all traffic enforcement. Should the CHP Santa Ana Area be unable to fill the necessary staffing, the shortage of CHP Officers will be utilized from out-of-Area uniformed personnel.
  - B. The traffic enforcement service to be performed by CHP officer(s) under this Agreement, including the standards of performance, discipline and control thereof, shall be the responsibility of CHP.
  - C. It is understood by OCTA that billing of CHP officer(s) time shall be from portal to portal (CHP Area office to the service location and return to CHP Area office) except as specified in Item D.
  - D. If the CHP officer(s) has reported to the assigned location and has worked less than four (4) hours, OCTA agrees to pay every assigned CHP officer(s) a minimum of four (4) hours overtime. Exception: This does not apply to those cases when the hours worked is part of an extended shift.
  - E. If the CHP officer(s) report(s) to the assigned service location and if for any reason CHP reassigns the officer(s) away from the service location, OCTA will be billed only for the officer(s) actual time incurred from the CHP Area office to the service location and for the time spent at the assigned service location covered under this Agreement.
  
6. CANCELLATION
  - A. OCTA shall not be charged for service cancellations made more than 24 hours prior to the scheduled assignment.
  - B. OCTA agrees that if service cancellation is made within 24 hours prior to the scheduled assignment and the assigned CHP officer(s) cannot be notified of such service cancellation, a minimum of four (4) hours overtime shall be charged for each assigned CHP officer.
  - C. OCTA agrees that if service cancellation is made within 24 hours prior to the scheduled assignment and CHP officer(s) is notified of such service cancellation, OCTA shall only be charged a short notice service cancellation fee of \$50.00 per assigned CHP officer(s).
  - D. All service cancellation notices to CHP must be made during normal CHP business hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding State holidays.
  - E. The CHP agrees to make reasonable efforts to notify the assigned CHP officer(s) of the service cancellation.

**EXHIBIT B  
(Standard Agreement)**

**BUDGET DETAIL AND PAYMENT PROVISIONS**

**1. Invoicing and Payment**

A. The CHP shall provide OCTA with an itemized invoice which details all CHP costs for traffic enforcement services under this Agreement. This invoice shall include the following:

- (1) Number of CHP uniformed employee(s) and days charged to the program.
- (2) Number of hours expended each day to the program.
- (3) Vehicle used and number of miles charged to the program.

Monthly itemized invoices will be submitted in duplicate to:

**OCTA – 91 Express Lanes  
180 N. Riverview Drive, Suite 200  
Anaheim, CA 92808 - 1288**

OCTA agrees to pay CHP within thirty (30) days after the date of the invoice.

B. In consideration for the traffic control services contained herein, OCTA agrees to reimburse the CHP upon receipt of an itemized invoice. OCTA agrees to reimburse the CHP for **the actual hours worked and costs incurred** at the time services are provided. The rates indicated in this agreement are for estimate purposes only. It is understood by both parties that rate increases in salary and benefits are governed by collective bargaining agreements and/or statute and that no advance written notification is necessary prior to implementing the increased rates. In the event CHP is granted a rate increase, OCTA agrees to pay the increased rate. The following information are the CHP officer and sergeant overtime rates effective Fiscal Year 18/19, until superseded:

<u>CLASSIFICATION</u>	<u>OVERTIME RATE</u>
CHP Officer	\$ 97.43 per hour
CHP Sergeant	\$ 118.52 per hour
M/C Officer	\$ 101.30 per hour
M/C Sergeant	\$ 123.24 per hour
Office Assistant	\$ 31.69 per hour
Office Services Supervisor I	\$ 36.92 per hour
CHP Automobile	\$ 1.04 per mile
CHP Motorcycle	\$ 1.43 per mile

## EXHIBIT C

### GENERAL TERMS AND CONDITIONS

1. APPROVAL: This Agreement is of no force or effect until signed by both parties and approved by the Department of General Services, if required. Contractor may not commence performance until such approval has been obtained.
2. AMENDMENT: No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or Agreement not incorporated in the Agreement is binding on any of the parties.
3. ASSIGNMENT: This Agreement is not assignable by the Contractor, either in whole or in part, without the consent of the State in the form of a formal written amendment.
4. AUDIT: Contractor agrees that the awarding department, the Department of General Services, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. Contractor agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of the State to audit records and interview staff in any subcontract related to performance of this Agreement. (Gov. Code §8546.7, Pub. Contract Code §10115 et seq., CCR Title 2, Section 1896).
5. INDEMNIFICATION: Contractor agrees to indemnify, defend and save harmless the State, its officers, agents and employees from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, suppliers, laborers, and any other person, firm or corporation furnishing or supplying work services, materials, or supplies in connection with the performance of this Agreement, and from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by Contractor in the performance of this Agreement.
6. DISPUTES: Contractor shall continue with the responsibilities under this Agreement during any dispute.
7. TERMINATION FOR CAUSE: The State may terminate this Agreement and be relieved of any payments should the Contractor fail to perform the requirements of this Agreement at the time and in the manner herein provided. In the event of such termination the State may proceed with the work in any manner deemed proper by the State. All costs to the State shall be deducted from any sum due the Contractor under this Agreement and the balance, if any, shall be paid to the Contractor upon demand.
8. INDEPENDENT CONTRACTOR: Contractor, and the agents and employees of Contractor, in the performance of this Agreement, shall act in an independent capacity and not as officers or employees or agents of the State.

## EXHIBIT C

### GENERAL TERMS AND CONDITIONS

~~9. RECYCLING CERTIFICATION: The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of post consumer material as defined in the Public Contract Code Section 12200, in products, materials, goods, or supplies offered or sold to the State regardless of whether the product meets the requirements of Public Contract Code Section 12209. With respect to printer or duplication cartridges that comply with the requirements of Section 12156(e), the certification required by this subdivision shall specify that the cartridges so comply (Pub. Contract Code §12205).~~ Intentionally omitted

10. NON-DISCRIMINATION CLAUSE: During the performance of this Agreement, Contractor and its subcontractors shall not deny the contract's benefits to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status. Contractor shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12900 et seq.), the regulations promulgated thereunder (Cal. Code Regs., tit. 2, §11000 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Gov. Code §§11135-11139.5), and the regulations or standards adopted by the awarding state agency to implement such article. Contractor shall permit access by representatives of the Department of Fair Employment and Housing and the awarding state agency upon reasonable notice at any time during the normal business hours, but in no case less than 24 hours' notice, to such of its books, records, accounts, and all other sources of information and its facilities as said Department or Agency shall require to ascertain compliance with this clause. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. (See Cal. Code Regs., tit. 2, §11105.)

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

11. CERTIFICATION CLAUSES: The CONTRACTOR CERTIFICATION CLAUSES contained in the document CCC 04/2017 are hereby incorporated by reference and made a part of this Agreement by this reference as if attached hereto.

12. TIMELINESS: Time is of the essence in this Agreement.

13. COMPENSATION: The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel, per diem, and taxes, unless otherwise expressly so provided.

14. GOVERNING LAW: This contract is governed by and shall be interpreted in accordance with the laws of the State of California.



## EXHIBIT C

### GENERAL TERMS AND CONDITIONS

~~15. ANTITRUST CLAIMS: The Contractor by signing this agreement hereby certifies that if these services or goods are obtained by means of a competitive bid, the Contractor shall comply with the requirements of the Government Codes Sections set out below.~~

~~a. The Government Code Chapter on Antitrust claims contains the following definitions:~~

~~1) "Public purchase" means a purchase by means of competitive bids of goods, services, or materials by the State or any of its political subdivisions or public agencies on whose behalf the Attorney General may bring an action pursuant to subdivision (c) of Section 16750 of the Business and Professions Code.~~

~~2) "Public purchasing body" means the State or the subdivision or agency making a public purchase. Government Code Section 4550.~~

~~b. In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2 (commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at the time the purchasing body tenders final payment to the bidder. Government Code Section 4552. Intentionally omitted~~

~~c. If an awarding body or public purchasing body receives, either through judgment or settlement, a monetary recovery for a cause of action assigned under this chapter, the assignor shall be entitled to receive reimbursement for actual legal costs incurred and may, upon demand, recover from the public body any portion of the recovery, including treble damages, attributable to overcharges that were paid by the assignor but were not paid by the public body as part of the bid price, less the expenses incurred in obtaining that portion of the recovery. Government Code Section 4553.~~

~~d. Upon demand in writing by the assignor, the assignee shall, within one year from such demand, reassign the cause of action assigned under this part if the assignor has been or may have been injured by the violation of law for which the cause of action arose and (a) the assignee has not been injured thereby, or (b) the assignee declines to file a court action for the cause of action. See Government Code Section 4554.~~

16. CHILD SUPPORT COMPLIANCE ACT: For any Agreement in excess of \$100,000, the contractor acknowledges in accordance with Public Contract Code 7110, that:

a. The contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b. The contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

## EXHIBIT C

### GENERAL TERMS AND CONDITIONS

17. UNENFORCEABLE PROVISION: In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.

18. PRIORITY HIRING CONSIDERATIONS: ~~If this Contract includes services in excess of \$200,000, the Contractor shall give priority consideration in filling vacancies in positions funded by the Contract to qualified recipients of aid under Welfare and Institutions Code Section 11200 in accordance with Pub. Contract Code §10353.~~ Intentionally omitted

### 19. SMALL BUSINESS PARTICIPATION AND DVBE PARTICIPATION REPORTING REQUIREMENTS:

a. ~~If for this Contract Contractor made a commitment to achieve small business participation, then Contractor must within 60 days of receiving final payment under this Contract (or within such other time period as may be specified elsewhere in this Contract) report to the awarding department the actual percentage of small business participation that was achieved. (Govt. Code § 14841.)~~

b. ~~If for this Contract Contractor made a commitment to achieve disabled veteran business enterprise (DVBE) participation, then Contractor must within 60 days of receiving final payment under this Contract (or within such other time period as may be specified elsewhere in this Contract) certify in a report to the awarding department: (1) the total amount the prime Contractor received under the Contract; (2) the name and address of the DVBE(s) that participated in the performance of the Contract; (3) the amount each DVBE received from the prime Contractor; (4) that all payments under the Contract have been made to the DVBE; and (5) the actual percentage of DVBE participation that was achieved. A person or entity that knowingly provides false information shall be subject to a civil penalty for each violation. (Mil. & Vets. Code § 999.5(d); Govt. Code § 14841.)~~ Intentionally omitted

### 20. LOSS LEADER:

If this contract involves the furnishing of equipment, materials, or supplies then the following statement is incorporated: It is unlawful for any person engaged in business within this state to sell or use any article or product as a "loss leader" as defined in Section 17030 of the Business and Professions Code. (PCC 10344(e))

**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

1. The CHP and OCTA agree this Agreement may be canceled by either party with thirty (30) days advance written notice.
2. In the event of an emergency, this Agreement may be canceled by either party without prior notice.
3. The CHP and OCTA, agree that this Agreement may be amended by written mutual consent of the parties hereto.
4. Unforeseen events may require CHP officer(s) to expend hours in excess of the original estimate. Any costs in excess of the original estimated amount will be processed by appropriate amendment to the Agreement, to reflect the actual costs incurred.
5. Additional charges may be assessed for CHP supplies, additional equipment utilized, damage to property repaired or replaced at State expense, which are directly related to the services provided herein, but only to the extent such supplies or additional equipment are specifically requested in writing by OCTA or such need for repair or replacement of property arises directly from OCTA gross misconduct or willful negligence with respect to the property.
6. Gifts, donations, or gratuities may not be accepted by CHP employees in their own behalf or in behalf of the Department, informal squad club, or other local funds.
7. Any dispute concerning a question of fact arising under the terms of this agreement which is not disposed within a reasonable period of time (ten days) by the parties normally responsible for the administration of this contract shall be brought to the attention of the Administrative Services Officer (or designated representative) of each organization for joint resolution.
8. The OCTA agrees to provide CHP with a resolution, motion, order or ordinance of the governing body, which authorizes execution of this Agreement, and indicates the individual who is authorized to sign the Agreement on behalf of OCTA.



*May 22, 2019*

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Amendment to the 91 Express Lanes Riverside County Transportation Commission / Orange County Transportation Authority Facility Agreement

**Overview**

The 91 Express Lanes Riverside County Transportation Commission / Orange County Transportation Authority Facility Agreement prescribes the funding transfers between the two agencies for costs incurred for the rent and any shared operational expenses in relation to the 91 Express Lanes. An amendment is needed to account for the reimbursement of shared operating costs incurred by the Riverside County Transportation Commission for the period July 1, 2019 through June 30, 2020.

**Recommendation**

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3828 between the Orange County Transportation Authority and Riverside County Transportation Commission, in the amount of \$917,000, for the reimbursement of shared operational expenses through June 30, 2020.

**Discussion**

In order to facilitate the exchange of funds between the two agencies, the 91 Express Lanes Riverside County Transportation Commission (RCTC) / Orange County Transportation Authority (OCTA) Facility Agreement (ROFA) was executed in November 2015. This agreement prescribes the funding transfers between the two agencies for costs incurred for the rent and any shared operational expenses in relation to the 91 Express Lanes. Under the terms of ROFA, both agencies are to establish an annual fiscal year amount for the funding and payment of joint operating costs each year. Staff has identified the shared operational expenses and has assigned responsibility for the administration and payment of these expenses. An amendment to the ROFA is required in the amount of \$917,000 to reimburse the RCTC for joint operating costs incurred

**Amendment to the 91 Express Lanes Riverside  
County Transportation Commission/Orange County  
Transportation Authority Facility Agreement**

**Page 2**

through June 30, 2020, by RCTC. Some of these operating costs include credit card processing fees, systems and equipment maintenance services, transponder purchases, and services relating to the transition to the new transponder protocol.

Funding for Amendment No. 4 to Agreement No. C-5-3828 is included in Orange County Transportation Authority's Fiscal Year 2019-20 Budget, 91 Express Lanes Account.

**Summary**

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Amendment No. 4 to Agreement No. C-5-3828 between the OCTA and RCTC, in the amount of \$917,000, for the reimbursement of shared operational expenses through June 30, 2020.

**Attachments**

- A. Amendment No. 4 to 91 Express Lanes RCTC-OCTA Facility Agreement ("ROFA")
- B. Riverside County Transportation Commission – Orange County Transportation Authority Facility Agreement No. C-5-3828 Fact Sheet

**Prepared by:**

**Approved by:**



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Kirk Avila  
General Manager  
Express Lanes Programs  
(714) 560-5674

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Ken Phipps  
Deputy Chief Executive Officer  
Executive Office  
(714) 560-5637



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
(714) 560-5623

**AMENDMENT NO. 4  
TO 91 EXPRESS LANES  
RCTC- OCTA FACILITY AGREEMENT  
("ROFA")**

This Amendment No. 4 to 91 Express Lanes RCTC-OCTA Facility Agreement (Identified as RCTC Agreement No. 16-31-025-00 and OCTA Agreement No. C-5-3828) ("Amendment No. 4") is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 2019 by and between the Riverside County Transportation Commission ("RCTC") and the Orange County Transportation Authority ("OCTA"). RCTC and OCTA are sometimes referred to herein individually as "Party", and collectively as the "Parties".

**Recitals**

A. The Parties previously entered into that certain Cooperative Agreement for State Route 91 Express Lanes and Corridor Improvements, dated December 16, 2011 ("Cooperative Agreement"), which, among other things, anticipated the sharing of certain joint operating costs incurred in conjunction with the coordinated operation of the OCTA 91 Express Lanes and the RCTC 91 Express Lanes.

B. The Parties previously entered into that certain RCTC-OCTA Facility Agreement ("ROFA"), dated November 4, 2015, for implementation of certain portions of the Cooperative Agreement pertaining to the lease, expansion, and joint use of the Toll Related Facilities. The ROFA sets forth the rights and obligations of the Parties related to the lease, expansion, and joint use of the Toll Operations Center, as that term is defined in the ROFA. Section 5 of the ROFA addresses the payment of rent and other costs for the Toll Operations Center. Section 8 of the ROFA contemplated that the Parties would enter into subsequent amendments to the ROFA address the terms for implementation of the Cooperative Agreement with respect to expansion, lease and joint use of the Customer Service Center and payment for Third Party Vendor Agreements, as those terms are defined in the ROFA.

C. Pursuant to Section 8, the Parties previously entered into that Amendment No. 1 to the ROFA, dated October 26, 2016, which added Exhibit "B" entitled "ROFA Addendum for CSC Build-Out" to address the build-out of the Customer Service Center and CSC lease payments. Section 4 of Exhibit "B" addresses payment of Rent for the Customer Service Center.

D. Pursuant to Section 8, the Parties previously entered into that Amendment No. 2 to the ROFA, dated April 11, 2017, which added Addendum 1 entitled "ROFA Addendum for Funding and Payment of Certain Joint Operating Costs" (i) to identify certain third party vendor agreements entered into by OCTA or RCTC, respectively, related to operation of the 91 Express Lanes ("Third Party Vendor Agreements"), (ii) to identify certain purchases administered by one Party and to be jointly funded by the other Party, (iii) to provide for the allocation of funding by each Party to reimburse the other Party for its share of costs incurred under such Third Party Vendor Agreements and for such purchases, and (iv) for OCTA to allocate funding to reimburse RCTC for payment of certain future costs related to third party contracts and purchases

administered by Cofiroute, USA LLC (“Cofiroute”) and not funded under that certain three party operating agreement entered into by OCTA, RCTC and Cofiroute, dated as of May 24, 2013, as amended (“ORCOA”). Addendum No. 1 as added by Amendment No. 2 to the ROFA only addressed the funding and payment of joint operating costs and third party contract costs incurred through June 30, 2018.

E. Pursuant to Section 8, the Parties previously entered into that Amendment No. 3 to the ROFA, dated August 13, 2018, which updated Addendum No. 1 to set forth terms pertaining to the allocation of funding and payment by each Party for costs incurred by the other Party under Third Party Vendor Agreements and for Rent associated with the Toll Operations Center and Customer Service Center, and for certain costs incurred by RCTC for third party contracts and purchases administered by Cofiroute for operation of the 91 Express Lanes, and not funded under the ORCOA, for the period from July 1, 2018 through June 30, 2019. At the time the Parties entered into Amendment No. 3, the Parties contemplated relocating the Customer Service Center to a new location, and Addendum No. 1 attached to Amendment No. 3 only set forth the estimated Rent under the CSC Lease, as provided pursuant to Exhibit “B” to the ROFA, through March 31, 2019.

F. The Customer Service Center has now been relocated from a building leased by OCTA located at 2275 Sampson Avenue in Corona, California, to a building owned by RCTC located at 301 Corporate Terrace in Corona, California, and the payment of rent and other expenses for the Customer Service Center is now governed by that certain “Standard Multi-Tenant Office Lease – Gross” between RCTC and OCTA, dated January 1, 2018. Therefore, the ROFA no longer governs the rights and obligations of the Parties with respect to the Customer Service Center, and Exhibit “B” to the ROFA, which was added by Amendment No. 1, and which addressed the buildout of, the payment of Rent for, the prior Customer Service Center location, is no longer applicable.

G. The Parties now desire to enter into this Amendment No. 4 in order to eliminate references to the Customer Service Center, and to update Addendum No. 1 to set forth terms pertaining to the allocation of funding and payment by each Party for costs incurred by the other Party under Third Party Vendor Agreements and for Rent associated with the Toll Operations Center, and for certain costs incurred by RCTC for third party contracts and purchases administered by Cofiroute for operation of the 91 Express Lanes, and not funded under the ORCOA, for the period from July 1, 2019 through June 30, 2020.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, it is mutually understood and agreed as follows:

1. **Amendment Eliminating Definition of “Customer Service Center.”** Subsection 1(A)(ii) of the ROFA, which currently defines the term “Customer Service Center,” is hereby amended to read as follows:

“(ii) **Reserved.**”

2. **Amendment to ROFA, Section 8.** Section 8 of the ROFA is hereby amended in its entirety to read as follows:

**“8. Third Party Vendor Agreements.**

Terms for implementation of the Cooperative Agreement with respect to Third Party Vendor Agreements and payments shall be addressed in an amendment to this ROFA to be entered into at such time as the Parties have sufficient information to negotiate such terms.”

3. **Amendment Eliminating Exhibit “B”.** Exhibit “B” of the ROFA, added pursuant to Amendment No. 1 to the ROFA, dated October 26, 2016, is hereby repealed in its entirety and shall be of no further force and effect.

4. **Amendment Replacing Addendum 1.** Effective July 1, 2019, ROFA Addendum 1 entitled “ROFA Addendum for Funding and Payment of Certain Joint Operating Costs” is hereby replaced in its entirety with the Addendum No. 1 attached hereto, which is incorporated herein by reference, setting forth terms pertaining to the allocation of funding and payment by each Party for costs incurred by the other Party under Third Party Vendor Agreements and for Rent associated with the Toll Operations Center, and for certain costs incurred by RCTC for third party contracts and purchases administered by Cofiroute for operation of the 91 Express Lanes, and not funded under the ORCOA, for the period from July 1, 2019 through June 30, 2020.

5. **Continuing Effect of Agreement.** Except as amended by this Amendment No. 4, all provisions of the ROFA, as previously amended, shall remain unchanged and in full force and effect. Except as otherwise expressly stated, the incorporation of costs pertaining to Rent pertaining to the Toll Operations Center into Addendum No. 1 is not intended to amend or supersede other applicable provisions of the ROFA, as previously amended, pertaining to the rights and obligations of the Parties with respect to payment of such costs.

6. **Counterparts.** This Amendment No. 4 may be executed in duplicate originals, each of which is deemed to be an original, but when taken together shall constitute but one and the same instrument.

*SIGNATURES ON FOLLOWING PAGE*



**SIGNATURES TO  
AMENDMENT NO. 4 TO  
91 EXPRESS LANES RCTC-OCTA FACILITY AGREEMENT (“ROFA”)  
BETWEEN RIVERSIDE COUNTY TRANSPORTATION COMMISSION  
AND  
ORANGE COUNTY TRANSPORTATION AUTHORITY**

**RIVERSIDE COUNTY  
TRANSPORTATION COMMISSION**

**ORANGE COUNTY  
TRANSPORTATION  
AUTHORITY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

APPROVED AS TO FORM:  
BEST BEST & KRIEGER LLP

APPROVED AS TO FORM:  
WOODRUFF, SPRADLIN & SMART,  
APC

By: \_\_\_\_\_  
Counsel to the Riverside  
County Transportation Commission

By: \_\_\_\_\_  
General Counsel to Orange  
County Transportation  
Authority

## Addendum 1

### ROFA Addendum for Funding and Payment of Certain Joint Operating Costs

This ROFA Addendum for Funding and Payment of Certain Joint Operating Costs (hereafter “Addendum”) sets forth the respective rights and obligations of RCTC and OCTA, respectively, pertaining to the payment and reimbursement of certain costs incurred by the other Party under the identified Third Party Vendor Agreements and of certain purchases made by one Party to be jointly funded by the other Party, and to the allocation of funding by OCTA to reimburse RCTC for payment of certain third party contract costs and purchases administered by Cofiroute and not funded under the ORCOA. For budgeting and funding allocation purposes only, this Addendum No. 1 also incorporates the estimated costs for Rent under the TOC Lease to be shared by the Parties pursuant to Section 5 of the ROFA.

1. **Defined Terms.** Capitalized terms used in this Addendum, including in the recitals to Amendment No. 4, and not otherwise defined herein shall have the meanings set forth in the Cooperative Agreement.
2. **Funding and Payment for Certain Joint Operating Costs.**

The Parties agree that there are certain joint operating costs for the Toll Related Facilities, as identified in Section 2.8.5 of the Cooperative Agreement, that will be incurred by one Party on behalf of the other Party, and by Cofiroute for the benefit of both Parties. Each Party agrees to reimburse the other Party for its share of the joint operating costs incurred from **July 1, 2019 through June 30, 2020** (the “Current Fiscal Year”) according to the Percentage Cost Split as follows:

- A. **RCTC Payments to OCTA for Third Party Vendor Agreements or Purchases and for Leases Administered by OCTA.** RCTC hereby allocates \$1,862,500 for its share of joint operating costs incurred by OCTA during the Current Fiscal Year. The initial list of Third Party Vendor Agreements or purchases to be administered by OCTA, and jointly funded by RCTC, for the Current Fiscal Year is included in Exhibit “A” attached to this Addendum and incorporated herein by reference. OCTA agrees to obtain RCTC approval of any new or additional Third Party Vendor Agreements or purchases not listed in Exhibit “A”, and subject to cost sharing as set forth herein. Additions and changes to Exhibit “A” may be approved in writing by RCTC’s Executive Director, or designee, without an amendment to this Addendum provided that the total costs to be shared by RCTC do not exceed the amount set forth in this paragraph. OCTA shall invoice RCTC monthly for the joint operating costs identified in Exhibit “A”, and RCTC shall reimburse all approved costs within 30 days of receipt of an invoice from OCTA. For budgeting and funding allocation purposes only, Exhibit “A” includes RCTC’s estimated proportionate share of costs for Rent for the Current Fiscal Year under the TOC Lease. The Parties acknowledge and agree that this estimate is subject to change based on changes in the amount of estimated CAM Expenses and other unforeseen

expenses, and that RCTC's obligations for payment of its proportionate share of Rent and related late fees under the TOC Lease shall remain subject to Section 5 of the ROFA.

- B. OCTA Payments to RCTC for Third Party Vendor Agreements or Purchases Administered by RCTC.** OCTA hereby allocates \$500,750 for its share of joint operating costs incurred by RCTC during the Current Fiscal Year. The initial list of Third Party Vendor Agreements or purchases to be administered by RCTC, and jointly funded by OCTA, for the Current Fiscal Year is included in Exhibit "B" attached to this Addendum and incorporated herein by reference. RCTC agrees to obtain OCTA approval of any new or additional Third Party Vendor Agreements or purchases not listed in Exhibit "B", and subject to cost sharing as set forth herein. Additions and changes to Exhibit "B" may be approved in writing by OCTA's Chief Executive Officer, or designee, without an amendment to this Addendum provided that the total costs to be shared by OCTA do not exceed the amount set forth in this paragraph. RCTC shall invoice OCTA monthly for the joint operating costs identified in Exhibit "B", and OCTA shall reimburse all approved costs within 30 days of receipt of an invoice from RCTC.
- C. OCTA Reimbursement to RCTC for Third Party Contracts and Purchases Up to \$50,000 Initiated by Cofiroute in the name of the 91 Express Lanes and Initially Paid by RCTC.** OCTA hereby allocates \$416,250 for its share of costs for third party contracts and purchases up to \$50,000 made in the name of the 91 Express Lanes, initiated by Cofiroute and not funded under the ORCOA, for the Current Fiscal Year. The initial list of such third party contracts and purchases to be initiated by Cofiroute in the name of the 91 Express Lanes and jointly funded by the Parties for the Current Fiscal Year is included in Exhibit "C" attached to this Addendum and incorporated herein by reference. RCTC and OCTA shall each approve, in advance, any procurements to be made by Cofiroute and jointly funded in accordance with this paragraph. Additions and changes to Exhibit "C" may be approved in writing by RCTC's Executive Director and OCTA's Chief Executive Officer, or their designees, without an amendment to this Addendum. RCTC shall pay the full invoiced amount directly to the third party contractor or vendor for approved jointly funded procurements as described herein, and shall invoice OCTA monthly for OCTA's share of such costs, which share shall be based on the Percentage Cost Split. OCTA shall reimburse RCTC for all approved costs within 30 days of receipt of an invoice.
- 2. Annual Cost Allocation.** The Parties agree to establish the annual fiscal year amounts for the funding and payment of joint operating costs as described herein by January 15 of each year.
- 3. Processing of Funding and Payment of Joint Operating Costs.** The Parties agree to work together to establish administrative procedures for the processing of joint operating costs as described in this Addendum.

EXHIBIT A

CONTRACTS/PURCHASES ADMINISTERED BY OCTA

**OCTA Administered Costs  
July 1, 2019 to June 30, 2020**

Description	Total Shared Costs	Shared Amount (RCTC Share)
Trademark Counsel	6,000	3,000
Customer Newsletter and Annual Report	30,000	15,000
Credit Card Processing Fee	1,500,000	750,000
Armor Car Services	10,000	5,000
91 Express Lanes Telecommunications Expense	55,000	27,500
Printing of Customer Notification Materials	50,000	25,000
Bank Service Charge	25,000	12,500
Transponders	500,000	250,000
Telephone Software/Hardware Maintenance	20,000	10,000
Other Miscellaneous Expenses	5,000	2,500
Marketing	200,000	100,000
SR-91 Implementation Plan	70,000	35,000
Lease <sup>1</sup>	415,000	207,500
Toll Operations Consulting Services	600,000	300,000
PC Workstations/Hardware	25,000	12,500
Roadway Closures	30,000	30,000
Collection Services	54,000	27,000
6C Fulfillment	100,000	50,000
<b>Total</b>	<b>3,695,000</b>	<b>1,862,500</b>

<sup>1</sup> Represents estimated Rent under TOC Lease through June 30. This estimate is subject to change based on changes in the amount of estimated CAM Expenses and other unforeseen expenses. Section 5 of the ROFA governs RCTC's obligations for payment of its proportionate share of Rent and related late fees under the TOC Lease.

EXHIBIT B

CONTRACTS/PURCHASES ADMINISTERED BY RCTC

**RCTC Administered Costs  
July 1, 2019 to June 30, 2020**

<b>Description</b>	<b>Total Shared Costs</b>	<b>Shared Amount (OCTA Share)</b>
Traffic Operations Center System Maintenance	125,000	62,500
Variable Message Signs Support and Maintenance	34,000	17,000
Toll Operations Consulting Services	225,000	112,500
Transponders	500,000	250,000
Software	20,000	10,000
Utilities	30,000	15,000
Equipment Maintenance	7,500	3,750
Roadway Closures	30,000	30,000
<b>Total</b>	<b>971,500</b>	<b>500,750</b>

EXHIBIT C

CONTRACTS/PURCHASES ADMINISTERED BY COFIROUTE

**Cofiroute Administered Costs  
July 1, 2019 to June 30, 2020**

<b>Description</b>	<b>Total Shared Costs</b>	<b>Shared Amount</b>
Roadway Repair Materials	5,000	2,500
Office Supplies and Equipment	10,000	5,000
Postage Fees	5,000	2,500
PC Workstations/Hardware	140,000	70,000
Software	50,000	25,000
Business Expenses	6,000	3,000
Other Miscellaneous Expenses	5,000	2,500
Network Evaluation/PCI (Payment Card Industry) Compliance	40,000	20,000
91 Express Lanes Telecommunications Expense	5,000	2,500
Printing of Customer Notification Materials	40,000	20,000
Credit Card Processing Fees	150,000	75,000
System Maintenance and Support	70,000	35,000
Equipment Maintenance Services	144,500	72,250
Computer Hardware/Software	55,000	27,500
Collection Services	52,000	26,000
Tools and Equipment	5,000	2,500
6C Transition	50,000	25,000
<b>Total</b>	<b>832,000</b>	<b>416,250</b>

**Riverside County Transportation Commission –  
Orange County Transportation Authority Facility  
Agreement No. C-5-3828 Fact Sheet**

1. September 28, 2015, \$515,793, approved by Board of Directors (Board).
  - Authorized payment to the Riverside County Transportation Commission (RCTC) for reimbursement of tenant improvements for the 91 Express Lanes Anaheim Office.
  - Authorized Facility Agreement with RCTC pertaining to funding exchanges for rent, leasehold improvements, and any shared improvements implemented by the Orange County Transportation Authority and RCTC.
  
2. November 4, 2015, Agreement No. C-5-3828, approved by Contracts Administration and Materials Management Department (CAMM).
  - Facility Agreement pertaining to funding exchanges for rent, leasehold improvements, and any shared improvements implemented by the Orange County Transportation Authority and RCTC.
  
3. October 26, 2016, Amendment No. 1 to Agreement No. C-5-3828, \$0.00, approved by CAMM.
  - Amendment set forth terms pertaining to the construction of tenant improvements to, and the payment of rent for, the Customer Service Center in conjunction with operation of the RCTC 91 Express Lanes.
  
4. March 27, 2017, Amendment No. 2 to Agreement No. C-5-3828, \$431,308, approved by the Board.
  - Amendment for the reimbursement of shared operational expenses for the 91 Express Lanes through June 30, 2018.
  
5. June 25, 2018, Amendment No. 3 to Agreement No. C-5-3828, \$2,078,750, approved by the Board.
  - Amendment for the reimbursement of shared operational expenses for the 91 Express Lanes through June 30, 2019.
  
6. May 24, 2019, Amendment No. 4 to Agreement No. C-5-3828, \$917,000, pending Board approval.
  - Amendment for the reimbursement of shared operational expenses for the 91 Express Lanes through June 30, 2020.

Total committed to Agreement No. C-5-3828: \$3,942,851.



**May 22, 2019**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** 91 Express Lanes Update for the Period Ending March 31, 2019

**Overview**

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, over 214 million trips have been taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending March 31, 2019.

**Recommendation**

Receive and file as an information item.

**Background**

Since January 2003, the Orange County Transportation Authority (OCTA) has owned the 91 Express Lanes (91 EL), which is a two-lane managed-lane facility in each direction in the median of the State Route 91 (SR-91) freeway. Over the past 16 years, OCTA has experienced the upticks and downturns of the economy and the resulting impacts to the 91 EL.

During OCTA ownership, toll rates have been adjusted up and down, additional capacity has been added to the general-purpose lanes in the SR-91 corridor through various improvement projects, the outstanding debt has been restructured, and an extension of the facility was completed by the Riverside County Transportation Commission (RCTC). This period also witnessed a shifting in travel patterns from 91 EL customers whereby more travelers elected to use the off-peak shoulder hours as opposed to the peak-period hours and use the westbound lanes versus the eastbound lanes. Traffic volumes and toll revenues are at historic high levels.



### ***Discussion***

The 91 EL continued to perform well during the period ending March 31, 2019. Traffic volumes, toll revenues, new accounts, transponder distributions, and account balances all increased when compared to the same period last year. The strong national and local economies, along with the opening of the Riverside County extension of the 91 EL by the RCTC, fueled the growth in Orange County. The OCTA 91 EL growth continues to be driven by increased traffic volumes in the westbound direction.

#### **Traffic Volumes**

Total traffic volume on the OCTA 91 EL for the month of March 2019 was 1,539,257. This represents a daily average of 49,653. This is a 7.9 percent increase in total traffic volume from the same period last year when traffic levels totaled 1,426,785. Carpool percentage for the period ending March was 26.1 percent. In looking at the 12-month period ending March 2019, traffic volumes reached 17.4 million and increased by 6.5 percent over the same period the prior year.

The growth in the last month, and over the past 12 months, in traffic volumes has been largely attributed to the westbound direction. Since RCTC opened the 91 EL extension, OCTA's traffic volumes have increased significantly in the westbound direction. For the month of March 2019, traffic volumes increased by 11.1 percent in the westbound direction and 4.9 percent in the eastbound direction over the same period in 2018. For the past 12 months, traffic volumes in the westbound direction have increased by 7.9 percent and eastbound volumes have increased by 5.1 percent when compared to the same period the prior year.

#### **Gross Potential Toll Revenues**

Gross potential toll revenue (GPTR) for the month of March 2019 was \$4,542,427, which represents an increase of 4.8 percent from the prior year's total of \$4,332,856. GPTR is equal to the toll rate times the number vehicles traveling on the 91 EL, (the amount does not consider violations or discounts). In looking at the previous 12-month totals, GPTR reached \$51.6 million and increased by 5.6 percent over the same period the prior year.

#### **Toll Adjustments**

The Board of Directors (Board) adopted Toll Policy requires staff to review traffic volumes on the Orange County segment of the 91 EL for potential toll

adjustments on a quarterly basis. The most recent toll adjustment occurred on January 1, 2019, whereby a few shoulder hours incurred toll increases and one peak period hour experienced a toll decrease. For the increases, two hours increased by \$0.75 and one hour increased by \$1.00. The peak period hour was reduced by \$0.50. As of the end of March 2019, toll rates ranged from a minimum of \$1.65 to a maximum of \$9.65. The next scheduled toll adjustment will occur on April 1, 2019.

#### Number of Accounts and Transponders

The number of active accounts totaled 146,151, and 222,503 transponders were assigned to those accounts as of March 31, 2019. Over the past 12 months, the number of accounts has increased by 8,038, and the number of transponders in circulation has increased by 12,706.

#### Outstanding Debt

As of March 31, 2019, the outstanding amount of the 91 EL tax-exempt 2013 Senior Lien Toll Road Revenue Refunding Bonds (Bonds) totaled \$97.8 million. The Bonds are rated "AA-" by Standard and Poor's, "A1" by Moody's, and "A+" by Fitch Ratings. The next scheduled debt service payment is on August 15, 2019. There are currently no plans to issue additional debt secured by 91 EL toll revenues.

#### Reserve Funds

The bond indenture for the 2013 Bonds requires three reserve funds: a major maintenance fund, an operating fund, and a debt service reserve fund. All three funds are fully funded with a total balance of \$24.7 million as of March 31, 2019.

In addition to the required debt reserve funds, OCTA's Board elected to establish two additional reserve funds. An internal capital projects fund has a balance of \$23.5 million and is used for large capital projects for the 91 EL. In the past, these funds were used for the 91 EL Pavement Rehabilitation Project. The other reserve fund was established in 2017 for two future Measure M2 projects in the SR-91 corridor. The balance in that reserve fund is \$40.6 million. Lastly, OCTA has approximately \$95.3 million set aside in excess toll revenues for various other SR-91 corridor projects.

### Recent Activities

In March 2019, OCTA and RCTC completed moving the customer service center to a new location in Corona. The new location at 301 Corporate Terrace Circle, which is owned by RCTC, serves as the walk-up center for customers, the call center for customer calls, and the transponder distribution location.

On April 22, 2019, the Board approved the release of the Back-Office System / Customer Service Center (BOS/CSC) request for proposals (RFP) for the 91 EL. This RFP and corresponding scope of work was developed jointly by OCTA and RCTC. The evaluation committee recommendation for this RFP is anticipated to be presented to the OCTA and RCTC Boards by the end of the calendar year.

### Upcoming Events

Over the next few months, several events will be transpiring related to the 91 EL. Kapsch TrafficCom USA, Inc., will be installing a new electronic toll and traffic management collection lane system during the third quarter of 2019. An upgrade to the back-office system, a rollout of new account structure, and distribution of 6C transponders will commence once the lane system installation has been completed.

Staff is currently in discussions with the California Highway Patrol (CHP) for a new agreement to provide enforcement services on the 91 EL. OCTA is required to use CHP for enforcement services per the Franchise Agreement with the State. Staff will be bringing forth the agreement for Board approval in May 2019.

Lastly, the three-party agreement between OCTA, RCTC, and Cofiroute USA terminates on June 30, 2021. It is anticipated that the BOS/CSC provider approved by the OCTA and RCTC Boards will have a go-live date of July 1, 2021. OCTA, RCTC, and Cofiroute USA are currently negotiating an optional six-month extension in the event the BOS/CSC provider is not ready for the July 1, 2021 go-live date. This extension will be presented to both the OCTA and RCTC Boards for approval by summer 2019.

### ***Summary***

During the period ending March 31, 2019, the 91 Express Lanes continued to perform well and exceeded expectations. This report provides a summary of key operational and financial activities.

**Attachment**

- A. 91 Express Lanes Status Report, March 2019

**Prepared by:**



Kirk Avila  
General Manager,  
Express Lanes Programs  
(714) 560-5674

**Approved by:**



Ken Phipps  
Deputy Chief Executive Officer  
Executive Office  
(714) 560-5637



**Orange County Transportation Authority  
Riverside County Transportation Commission**



Status Report  
March 2019

As of March 31, 2019

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# OPERATIONS OVERVIEW OCTA

## TRAFFIC AND REVENUE STATISTICS FOR OCTA

Total traffic volume on the OCTA 91 Express Lanes for March 2019 was 1,539,257. This represents a daily average of 49,653. This is a 7.9% increase in total traffic volume from the same period last year when traffic levels totaled 1,426,785. Potential toll revenue for the month was \$4,542,427 which represents an increase of 4.8% from the prior year's total of \$4,332,856. Carpool percentage for the month was 26.10% as compared to the previous year's rate of 24.14%.

Month-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the OCTA 91 Express Lanes and associated potential revenue for the month of March 2019.

### Current Month-to-Date (MTD) as of March 31, 2019

Trips	Mar-19 MTD Actual	Stantec MTD Projected	# Variance	% Variance	Mar-18 MTD Actual	Yr-to-Yr % Variance
Full Toll Lanes	1,137,488	1,153,394	(15,906)	(1.4%)	1,082,329	5.1%
3+ Lanes	401,769	328,031	73,738	22.5%	344,456	16.6%
Total Gross Trips	1,539,257	1,481,425	57,832	3.9%	1,426,785	7.9%
<b>Revenue</b>						
Full Toll Lanes	\$4,464,988	\$4,628,209	(\$163,222)	(3.5%)	\$4,254,736	4.9%
3+ Lanes	\$77,440	\$88,293	(\$10,853)	(12.3%)	\$78,121	(0.9%)
Total Gross Revenue	\$4,542,427	\$4,716,502	(\$174,075)	(3.7%)	\$4,332,856	4.8%
<b>Average Revenue per Trip</b>						
Average Full Toll Lanes	\$3.93	\$4.01	(\$0.08)	(2.0%)	\$3.93	0.0%
Average 3+ Lanes	\$0.19	\$0.27	(\$0.08)	(29.6%)	\$0.23	(17.4%)
Average Gross Revenue	\$2.95	\$3.18	(\$0.23)	(7.2%)	\$3.04	(3.0%)

The 2019 fiscal year-to-date traffic volume increased by 5.6% and potential toll revenue increased by 5.3%, when compared with the same period last year. Year-to-date average revenue per-trip is \$2.97.

Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the OCTA 91 Express Lanes and associated potential revenue for the months of July 2018 through March 2019.

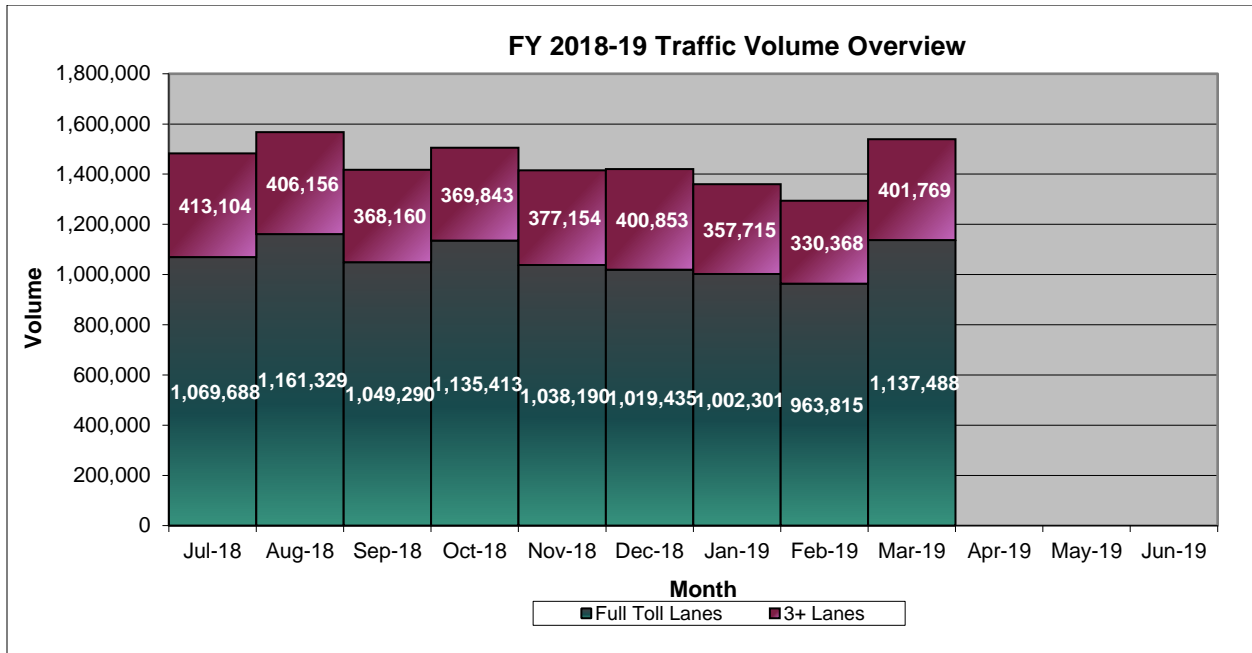
**FY 2018-19 Year to Date as of March 31, 2019**

<b>Trips</b>	<b>FY 2018-19 YTD Actual</b>	<b>Stantec YTD Projected</b>	<b># Variance</b>	<b>% Variance</b>	<b>FY 2017-18 YTD Actual</b>	<b>Yr-to-Yr % Variance</b>
Full Toll Lanes	9,576,949	9,806,806	(229,857)	(2.3%)	9,242,469	3.6%
3+ Lanes	3,425,122	2,944,745	480,377	16.3%	3,068,327	11.6%
Total Gross Trips	13,002,071	12,751,551	250,520	2.0%	12,310,796	5.6%
<b>Revenue</b>						
Full Toll Lanes	\$37,964,136	\$39,190,636	(\$1,226,500)	(3.1%)	\$36,055,265	5.3%
3+ Lanes	\$677,913	\$747,570	(\$69,657)	(9.3%)	\$651,329	4.1%
Total Gross Revenue	\$38,642,049	\$39,938,205	(\$1,296,157)	(3.2%)	\$36,706,594	5.3%
<b>Average Revenue per Trip</b>						
Average Full Toll Lanes	\$3.96	\$4.00	(\$0.04)	(1.0%)	\$3.90	1.5%
Average 3+ Lanes	\$0.20	\$0.25	(\$0.05)	(20.0%)	\$0.21	(4.8%)
Average Gross Revenue	\$2.97	\$3.13	(\$0.16)	(5.1%)	\$2.98	(0.3%)

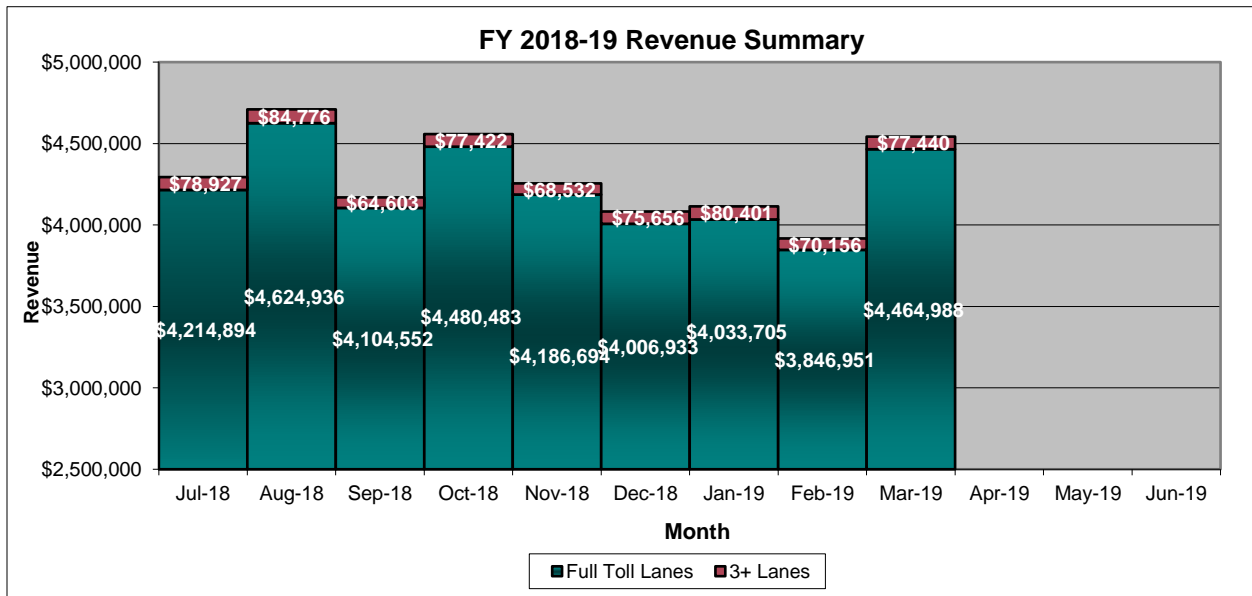


## OCTA Traffic and Revenue Summary

The chart below reflects the total trips breakdown between Full Toll trips and HOV3+ trips for FY 2018-19 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll trips and HOV3+ trips for FY 2018-19 on a monthly basis.



Peak traffic hour in the eastbound direction reached or exceeded 90% or more of defined capacity 20 times during the month of March 2019. As demonstrated on the next chart, westbound peak hour traffic volumes top out at 80% of defined capacity.

## OCTA EASTBOUND PEAK-HOUR VOLUMES

PM Time	Monday 02/25/19				Tuesday 02/26/19				Wednesday 02/27/19				Thursday 02/28/19				Friday 03/01/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500																	<b>\$6.35</b>	<b>584</b>	<b>3,292</b>	<b>97%</b>
1500 - 1600																	\$9.65	718	2,738	81%
1600 - 1700																	\$9.45	496	2,785	82%
1700 - 1800																	\$6.90	622	2,896	85%
1800 - 1900																	\$6.40	748	2,940	86%
1900 - 2000																	\$5.95	650	2,123	62%

PM Time	Monday 03/04/19				Tuesday 03/05/19				Wednesday 03/06/19				Thursday 03/07/19				Friday 03/08/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	454	2,577	76%	\$5.05	423	2,798	82%	\$5.05	395	2,596	76%	\$5.95	479	3,035	89%	<b>\$6.35</b>	<b>558</b>	<b>3,278</b>	<b>96%</b>
1500 - 1600	\$5.40	621	2,953	87%	\$5.65	662	2,809	83%	\$7.00	690	2,791	82%	<b>\$6.00</b>	<b>738</b>	<b>3,336</b>	<b>98%</b>	\$9.65	719	2,576	76%
1600 - 1700	\$5.25	489	2,929	86%	\$5.50	519	2,991	88%	<b>\$6.75</b>	<b>506</b>	<b>3,163</b>	<b>93%</b>	\$8.80	546	2,977	88%	\$9.45	466	2,724	80%
1700 - 1800	\$5.20	584	3,118	92%	\$5.40	532	2,753	81%	\$6.90	360	2,186	64%	\$9.20	490	2,502	74%	\$6.90	598	2,861	84%
1800 - 1900	<b>\$5.40</b>	<b>744</b>	<b>2,839</b>	<b>84%</b>	\$3.85	707	2,951	87%	\$3.85	562	2,313	68%	\$4.75	726	2,988	88%	\$6.40	731	2,809	83%
1900 - 2000	\$3.75	499	1,839	54%	\$3.75	557	2,308	68%	\$3.75	450	1,674	49%	\$5.50	596	2,220	65%	\$5.95	701	2,343	69%

PM Time	Monday 03/11/19				Tuesday 03/12/19				Wednesday 03/13/19				Thursday 03/14/19				Friday 03/15/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	424	2,525	74%	\$5.05	428	2,826	83%	\$5.05	481	2,877	85%	<b>\$5.95</b>	<b>534</b>	<b>3,235</b>	<b>95%</b>	<b>\$6.35</b>	<b>543</b>	<b>3,177</b>	<b>93%</b>
1500 - 1600	\$5.40	615	2,938	86%	\$5.65	641	2,821	83%	\$7.00	669	3,037	89%	\$6.00	650	3,030	89%	\$9.65	676	2,689	79%
1600 - 1700	\$5.25	473	2,919	86%	\$5.50	472	2,839	84%	<b>\$6.75</b>	<b>554</b>	<b>3,321</b>	<b>98%</b>	\$8.80	521	2,652	78%	\$9.45	431	2,385	70%
1700 - 1800	\$5.20	537	2,923	86%	\$5.40	541	2,901	85%	\$6.90	467	2,665	78%	\$9.20	468	2,430	71%	\$6.90	589	2,678	79%
1800 - 1900	\$5.40	706	2,805	83%	\$3.85	601	2,934	86%	<b>\$3.85</b>	<b>661</b>	<b>3,090</b>	<b>91%</b>	\$4.75	611	2,752	81%	\$6.40	615	2,752	81%
1900 - 2000	\$3.75	439	1,599	47%	\$3.75	606	2,439	72%	\$3.75	590	2,238	66%	\$5.50	778	2,906	85%	\$5.95	687	2,351	69%

PM Time	Monday 03/18/19				Tuesday 03/19/19				Wednesday 03/20/19				Thursday 03/21/19				Friday 03/22/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	478	2,624	77%	\$5.05	449	2,841	84%	\$5.05	449	2,921	86%	<b>\$5.95</b>	<b>495</b>	<b>3,156</b>	<b>93%</b>	<b>\$6.35</b>	<b>570</b>	<b>3,233</b>	<b>95%</b>
1500 - 1600	\$5.40	671	2,908	86%	\$5.65	672	2,864	84%	\$7.00	631	2,640	78%	<b>\$6.00</b>	<b>696</b>	<b>3,389</b>	<b>100%</b>	\$9.65	688	2,711	80%
1600 - 1700	<b>\$5.25</b>	<b>574</b>	<b>3,186</b>	<b>94%</b>	\$5.50	452	2,828	83%	\$6.75	486	2,915	86%	\$8.80	580	2,805	83%	\$9.45	533	2,892	85%
1700 - 1800	<b>\$5.20</b>	<b>558</b>	<b>3,105</b>	<b>91%</b>	\$5.40	553	2,994	88%	\$6.90	500	2,567	76%	\$9.20	425	2,018	59%	\$6.90	614	2,966	87%
1800 - 1900	\$5.40	602	2,700	79%	<b>\$3.85</b>	<b>714</b>	<b>3,065</b>	<b>90%</b>	\$3.85	566	2,812	83%	\$4.75	603	2,618	77%	\$6.40	728	2,868	84%
1900 - 2000	\$3.75	492	1,913	56%	\$3.75	648	2,547	75%	\$3.75	657	2,567	76%	\$5.50	676	2,608	77%	\$5.95	617	2,193	65%

PM Time	Monday 03/25/19				Tuesday 03/26/19				Wednesday 03/27/19				Thursday 03/28/19				Friday 03/29/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
1400 - 1500	\$5.05	527	2,566	75%	\$5.05	483	2,859	84%	\$5.05	523	2,986	88%	<b>\$5.95</b>	<b>524</b>	<b>3,175</b>	<b>93%</b>	<b>\$6.35</b>	<b>615</b>	<b>3,278</b>	<b>96%</b>
1500 - 1600	\$5.40	738	3,029	89%	\$5.65	748	2,864	84%	\$7.00	760	2,994	88%	<b>\$6.00</b>	<b>694</b>	<b>3,123</b>	<b>92%</b>	\$9.65	740	2,633	77%
1600 - 1700	\$5.25	525	2,890	85%	\$5.50	539	2,960	87%	<b>\$6.75</b>	<b>569</b>	<b>3,169</b>	<b>93%</b>	\$8.80	612	2,950	87%	\$9.45	561	2,764	81%
1700 - 1800	\$5.20	614	2,998	88%	\$5.40	597	3,002	88%	\$6.90	529	2,700	79%	\$9.20	545	2,529	74%	\$6.90	615	2,887	85%
1800 - 1900	\$5.40	709	2,904	85%	\$3.85	690	2,933	86%	<b>\$3.85</b>	<b>732</b>	<b>3,120</b>	<b>92%</b>	\$4.75	635	2,847	84%	\$6.40	736	2,849	84%
1900 - 2000	\$3.75	528	1,842	54%	\$3.75	655	2,596	76%	\$3.75	662	2,565	75%	\$5.50	841	2,969	87%	\$5.95	734	2,352	69%

## OCTA WESTBOUND PEAK-HOUR VOLUMES

AM Time	Monday 02/25/19				Tuesday 02/26/19				Wednesday 02/27/19				Thursday 02/28/19				Friday 03/01/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500																	\$3.00	699	1,983	58%
0500 - 0600																	\$4.60	788	2,434	72%
0600 - 0700																	\$4.85	657	2,127	63%
0700 - 0800																	\$5.40	487	1,937	57%
0800 - 0900																	\$4.85	312	1,918	56%
0900 - 1000																	\$4.00	287	2,014	59%

AM Time	Monday 03/04/19				Tuesday 03/05/19				Wednesday 03/06/19				Thursday 03/07/19				Friday 03/08/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	787	2,467	73%	\$3.00	813	2,391	70%	\$3.00	738	2,120	62%	\$3.00	843	2,540	75%	\$3.00	705	1,924	57%
0500 - 0600	\$4.85	890	2,487	73%	\$4.85	922	2,625	77%	\$4.85	795	2,189	64%	\$4.85	894	2,509	74%	\$4.60	800	2,336	69%
0600 - 0700	\$5.05	622	2,177	64%	\$5.05	610	2,120	62%	\$5.05	644	2,050	60%	\$5.05	668	2,185	64%	\$4.85	665	2,174	64%
0700 - 0800	\$5.55	560	2,174	64%	\$5.55	506	2,130	63%	\$5.55	468	1,908	56%	\$5.55	466	2,049	60%	\$5.40	475	1,856	55%
0800 - 0900	\$5.05	358	2,266	67%	\$5.05	352	2,108	62%	\$5.05	306	1,914	56%	\$5.05	353	2,016	59%	\$4.85	319	1,970	58%
0900 - 1000	\$4.00	305	2,062	61%	\$4.00	303	2,182	64%	\$4.00	330	2,036	60%	\$4.00	312	2,214	65%	\$4.00	326	1,909	56%

AM Time	Monday 03/11/19				Tuesday 03/12/19				Wednesday 03/13/19				Thursday 03/14/19				Friday 03/15/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	798	2,465	73%	\$3.00	788	2,341	69%	\$3.00	810	2,369	70%	\$3.00	805	2,422	71%	\$3.00	700	1,995	59%
0500 - 0600	\$4.85	885	2,440	72%	\$4.85	947	2,640	78%	\$4.85	898	2,479	73%	\$4.85	937	2,499	74%	\$4.60	838	2,393	70%
0600 - 0700	\$5.05	648	2,038	60%	\$5.05	631	1,975	58%	\$5.05	656	2,166	64%	\$5.05	669	2,185	64%	\$4.85	673	2,076	61%
0700 - 0800	\$5.55	493	2,037	60%	\$5.55	503	2,172	64%	\$5.55	549	2,158	63%	\$5.55	538	2,170	64%	\$5.40	474	1,836	54%
0800 - 0900	\$5.05	322	1,992	59%	\$5.05	353	2,208	65%	\$5.05	320	2,130	63%	\$5.05	445	2,185	64%	\$4.85	320	1,855	55%
0900 - 1000	\$4.00	267	1,888	56%	\$4.00	279	2,183	64%	\$4.00	317	2,128	63%	\$4.00	314	2,163	64%	\$4.00	279	1,833	54%

AM Time	Monday 03/18/19				Tuesday 03/19/19				Wednesday 03/20/19				Thursday 03/21/19				Friday 03/22/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	798	2,518	74%	\$3.00	809	2,465	73%	\$3.00	812	2,386	70%	\$3.00	827	2,436	72%	\$3.00	720	1,970	58%
0500 - 0600	\$4.85	914	2,560	75%	\$4.85	966	2,672	79%	\$4.85	848	2,327	68%	\$4.85	910	2,461	72%	\$4.60	863	2,453	72%
0600 - 0700	\$5.05	639	2,070	61%	\$5.05	631	2,096	62%	\$5.05	700	2,241	66%	\$5.05	666	2,198	65%	\$4.85	628	2,084	61%
0700 - 0800	\$5.55	535	2,130	63%	\$5.55	530	2,205	65%	\$5.55	503	2,214	65%	\$5.55	530	2,270	67%	\$5.40	503	2,005	59%
0800 - 0900	\$5.05	348	2,162	64%	\$5.05	351	2,190	64%	\$5.05	323	2,129	63%	\$5.05	338	2,139	63%	\$4.85	343	1,971	58%
0900 - 1000	\$4.00	340	2,080	61%	\$4.00	306	2,140	63%	\$4.00	272	1,992	59%	\$4.00	299	2,197	65%	\$4.00	346	1,847	54%

AM Time	Monday 03/25/19				Tuesday 03/26/19				Wednesday 03/27/19				Thursday 03/28/19				Friday 03/29/19			
	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.	Price	HOV	Vol.	Cap.
0400 - 0500	\$3.00	809	2,455	72%	\$3.00	833	2,430	71%	\$3.00	869	2,472	73%	\$3.00	768	2,255	66%	\$3.00	724	1,971	58%
0500 - 0600	\$4.85	928	2,511	74%	\$4.85	981	2,729	80%	\$4.85	908	2,473	73%	\$4.85	976	2,620	77%	\$4.60	811	2,413	71%
0600 - 0700	\$5.05	637	2,107	62%	\$5.05	680	2,133	63%	\$5.05	679	2,127	63%	\$5.05	684	2,200	65%	\$4.85	663	2,290	67%
0700 - 0800	\$5.55	552	2,122	62%	\$5.55	558	2,248	66%	\$5.55	606	2,272	67%	\$5.55	591	2,349	69%	\$5.40	493	2,036	60%
0800 - 0900	\$5.05	414	2,225	65%	\$5.05	418	2,237	66%	\$5.05	371	2,056	60%	\$5.05	422	2,224	65%	\$4.85	386	2,074	61%
0900 - 1000	\$4.00	426	2,138	63%	\$4.00	407	2,209	65%	\$4.00	427	2,118	62%	\$4.00	473	2,388	70%	\$4.00	276	1,560	46%

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## OCTA OPERATIONAL HIGHLIGHTS

### **On-road Operations**

OCTA Customer Assistance Specialists (CAS) responded to 113 calls during the month of March. Of those calls, 94 were to assist disabled vehicles and 8 calls to remove debris. The CAS provided assistance to 7 accidents in the Express Lanes and 4 accidents originating from the SR91 general-purpose lanes.

### **Electronic Toll and Traffic Management System Project Update**

An agreement with Kapsch TrafficCom USA, Inc., (Kapsch) was executed in June 2018 to provide toll lane system integrator services for the design, installation, operations, and maintenance of the electronic toll and traffic management system for the 91 Express Lanes. During the month, Kapsch has developed several project plans and documentations and held weekly coordination meetings with OCTA and Cofiroute in preparation for the transition to the new lane system. This new lane system will be able to read the new 6C protocol as well as the current Title 21 protocol. Following RCTC's completion of their lane system installation on the 91 Express Lanes, OCTA will commence installation on the Orange County segment. It is anticipated the OCTA lane system equipment at the gantries will be replaced in summer 2019.

### **6C Transition Update**

In addition to the lane system replacement, the back-office system will need to be modified in order to process the new transponders and changes to the customer account plans. Modification to the back-office system will commence when the lane system installations for both OCTA and RCTC have been completed. Distribution of the new 6C transponders to customers will begin after the back-office system changes have been made. OCTA and RCTC have prepared a series of customer communication to be provided to customers to facilitate the transition to the new protocol and changes to the account plans.

### **Amendment to the Three-Party Operating Agreement**

As referenced above, due to the back-office system changes, an amendment to the OCTA, RCTC, Cofiroute USA (CUSA) Operating Agreement is required. Staff from both OCTA and RCTC have been in negotiations with CUSA for the amendment.

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anticipated there will be no change to the maximum obligation of the contract. The amendment is expected to be finalized in the next few months.

### **California Highway Patrol Agreement**

Staff is currently in discussion with the California Highway Patrol (CHP) for a new agreement to provide enforcement services on the OCTA 91 Express Lanes. As a requirement of the Franchise Agreement, OCTA is required to use CHP for enforcement services. Staff will be bringing forth the agreement for Board approval in May 2019.

# FINANCIAL HIGHLIGHTS OCTA

## 91 Express Lanes Operating Statement

Description	YTD as of : <b>3/31/2019</b>		YTD Variance	
	Actual <sup>(1)</sup>	Budget <sup>(1)</sup>	Dollar \$	Percent (%)
<b>Operating revenues:</b>				
Toll revenue	\$ 34,866,383.18	\$ 37,409,838.00	\$ (2,543,454.82)	(6.8)
Fee revenue	6,044,778.90	4,689,160.00	1,355,618.90	28.9
<b>Total operating revenues</b>	<b>40,911,162.08</b>	<b>42,098,998.00</b>	<b>(1,187,835.92)</b>	<b>(2.8)</b>
<b>Operating expenses:</b>				
Contracted services	4,917,024.45	5,657,810.00	740,785.55	13.1
Administrative fee	1,860,786.00	2,066,913.00	206,127.00	10.0
Other professional services	490,420.85	2,613,147.00	2,122,726.15	81.2
Credit card processing fees	982,016.06	947,471.00	(34,545.06)	(3.6)
Toll road account servicing	563,437.57	1,005,862.00	442,424.43	44.0
Other insurance expense	266,148.97	562,275.00	296,126.03	52.7
Toll road maintenance supply repairs	149,311.62	227,190.00	77,878.38	34.3
Patrol services	529,720.97	596,061.00	66,340.03	11.1
Building equipment repairs and maint	79,167.84	272,254.00	193,086.16	70.9
Other services	6,643.00	22,497.00	15,854.00	70.5
Utilities	37,395.54	49,482.00	12,086.46	24.4
Office expense	49,051.51	152,854.00	103,802.49	67.9
Bad debt expense	125,576.23	-	(125,576.23)	N/A
Miscellaneous <sup>(2)</sup>	90,358.98	501,058.00	410,699.02	82.0
Leases	375,855.90	344,862.00	(30,993.90)	(9.0)
<b>Total operating expenses</b>	<b>10,522,915.49</b>	<b>15,019,736.00</b>	<b>4,496,820.51</b>	<b>29.9</b>
Depreciation and amortization <sup>(3)</sup>	2,578,907.62	-	(2,578,907.62)	N/A
<b>Operating income (loss)</b>	<b>27,809,338.97</b>	<b>27,079,262.00</b>	<b>730,076.97</b>	<b>2.7</b>
<b>Nonoperating revenues (expenses):</b>				
Reimbursement from Other Agencies	402,395.15	838,791.00	(436,395.85)	(52.0)
Interest income	2,487,791.82	1,664,838.00	822,953.82	49.4
Interest expense	(3,686,337.25)	(3,757,464.00)	71,126.75	1.9
Other	9,100.77	-	9,100.77	N/A
<b>Total nonoperating revenues (expenses)</b>	<b>(787,049.51)</b>	<b>(1,253,835.00)</b>	<b>466,785.49</b>	<b>37.2</b>
Transfers in	-	-	-	N/A
Transfers out	(679,634.09)	(14,371,178.00)	13,691,543.91	95.3
<b>Net income (loss)</b>	<b>\$ 26,342,655.37</b>	<b>\$ 11,454,249.00</b>	<b>\$ 14,888,406.37</b>	<b>130.0</b>

<sup>1</sup>Actual amounts are accounted for on the accrual basis of accounting in an enterprise fund. Budget amounts are accounted for on a modified accrual basis of accounting.

<sup>2</sup>Miscellaneous expenses include: Bond Insurance Costs, Bank Service Charge, Transponder Materials.

<sup>3</sup>Depreciation and amortization are not budgeted items.

## Capital Asset Activity

During the nine months ending March 31, 2019, capital asset activities included \$349,599 for the Electronic Toll and Traffic Management system replacement project and \$226,014 for transponder purchases.

# OPERATIONS OVERVIEW RCTC

## TRAFFIC AND REVENUE STATISTICS FOR RCTC

Total traffic volume on the RCTC 91 Express Lanes for March 2019 was 1,310,935. This represents a daily average of 42,288. This is a 5.8% increase in total traffic volume from the same period last year when traffic levels totaled 1,239,432. Potential toll revenue for the month was \$5,098,850 which represents an increase of 15.4% from the prior year's total of \$4,419,171. Carpool percentage for the month was 24.36% as compared to the previous year's rate of 21.73%.

Month-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the RCTC 91 Express Lanes and associated potential revenue for the month of March 2019.

### Current Month-to-Date (MTD) as of March 31, 2019

	MAR-19 MTD Actual	Stantec MTD Projected	# Variance	% Variance	MAR-18 MTD Actual	Yr-to-Yr % Variance
<b>Trips</b>						
Full Toll Lanes	991,552	718,958	272,594	37.9%	970,118	2.2%
3+ Lanes	319,383	236,000	83,383	35.3%	269,314	18.6%
Total Gross Trips	1,310,935	954,958	355,977	37.3%	1,239,432	5.8%
<b>Revenue</b>						
Full Toll Lanes	\$5,057,871	\$2,145,158	\$2,912,713	135.8%	\$4,384,066	15.4%
3+ Lanes	\$40,979	\$0	\$40,979		\$35,105	16.7%
Total Gross Revenue	\$5,098,850	\$2,145,158	\$2,953,692	137.7%	\$4,419,171	15.4%
<b>Average Revenue per Trip</b>						
Average Full Toll Lanes	\$5.10	\$2.98	\$2.12	71.1%	\$4.52	12.8%
Average 3+ Lanes	\$0.13	\$0.00	\$0.13		\$0.13	0.0%
Average Gross Revenue	\$3.89	\$2.25	\$1.64	72.9%	\$3.57	9.0%

The 2019 fiscal year-to-date (YTD) traffic volume is 5.2% higher when compared with the same period last year. The 2019 fiscal year-to-date revenue is 21.3% higher than for the same period last year. The traffic and revenue increases are attributed to higher demand and increase toll rates to manage the demand. Year-to-date average revenue per-trip is \$3.72.

Fiscal year-to-date traffic and revenue data are summarized in the table below. The following trip and revenue statistics tables represent all trips taken on the RCTC 91 Express Lanes and associated potential revenue for the months of July 2018 through March 2019.

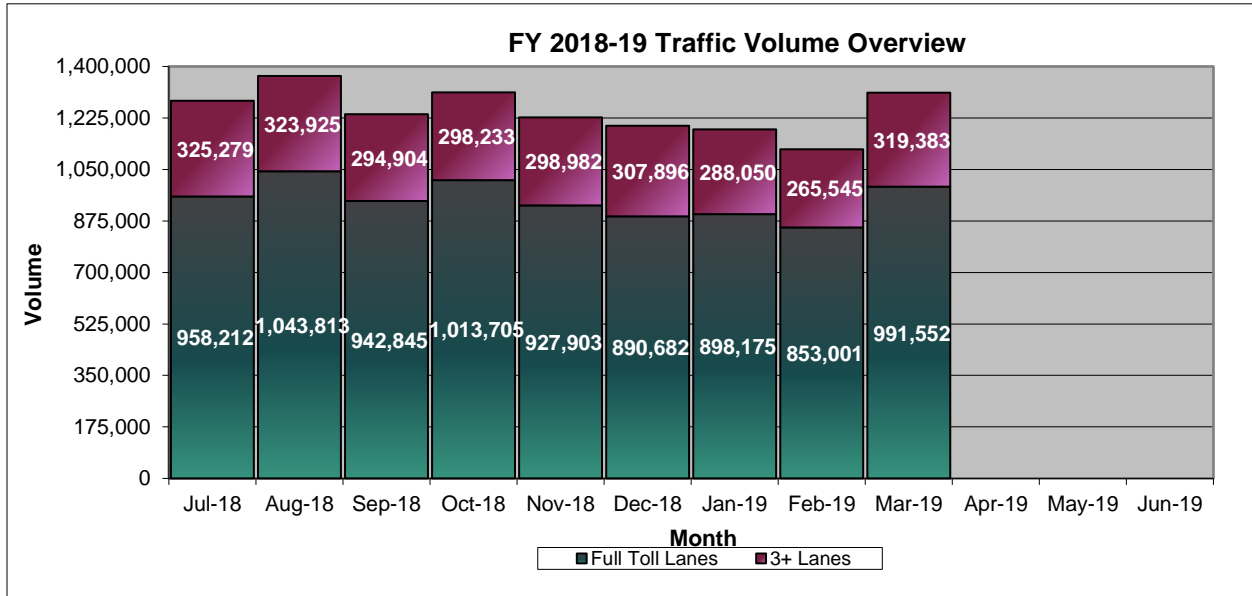
#### FY 2018-19 Year to Date as of March 31, 2019

	FY 2018-19 YTD Actual	Stantec YTD Projected	# Variance	% Variance	FY 2017-18 YTD Actual	Yr-to-Yr % Variance
<b>Trips</b>						
Full Toll Lanes	8,519,888	5,704,343	2,815,545	49.4%	8,359,682	1.9%
3+ Lanes	2,722,195	2,005,086	717,109	35.8%	2,326,178	17.0%
Total Gross Trips	11,242,083	7,709,429	3,532,654	45.8%	10,685,860	5.2%
<b>Revenue</b>						
Full Toll Lanes	\$41,441,557	\$17,141,229	\$24,300,328	141.8%	\$34,146,501	21.4%
3+ Lanes	\$329,540	\$0	\$329,540		\$283,958	16.1%
Total Gross Revenue	\$41,771,096	\$17,141,229	\$24,629,867	143.7%	\$34,430,458	21.3%
<b>Average Revenue per Trip</b>						
Average Full Toll Lanes	\$4.86	\$3.00	\$1.86	62.0%	\$4.08	19.1%
Average 3+ Lanes	\$0.12	\$0.00	\$0.12		\$0.12	0.0%
Average Gross Revenue	\$3.72	\$2.22	\$1.50	67.6%	\$3.22	15.5%

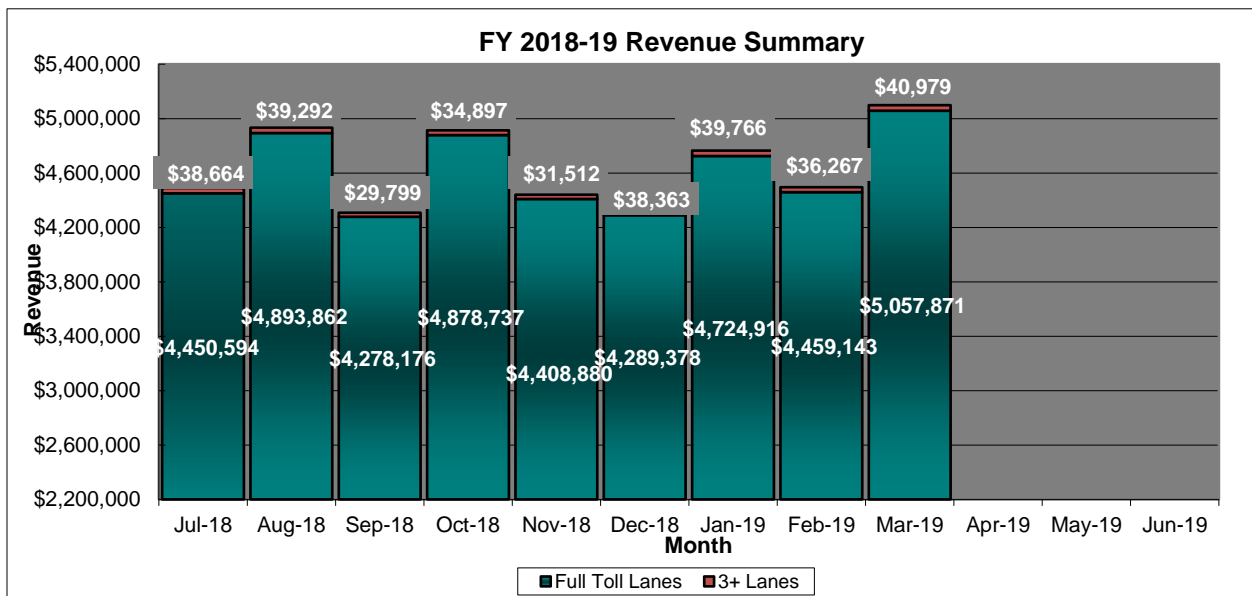


## RCTC Traffic and Revenue Summary

The chart below reflects the total trips broken down between Full Toll lanes and HOV3+ lanes for FY 2018-19 on a monthly basis.



The chart below reflects the gross potential revenue breakdown between Full Toll lanes and HOV3+ lanes for FY 2018-19 on a monthly basis.



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## RCTC PEAK-HOUR VOLUMES

RCTC regularly evaluates traffic volumes for peak period hours where Express Lanes performance is degraded and either increases or decreases tolls. There were no toll rates adjusted in March to improve the level of service in the peak hours where demand exceeded capacity. Hours that are highlighted in yellow were flagged for continued evaluation.



Eastbound PM Peak - County Line to I-15 South

PM Time	Monday 02/25/19					Tuesday 02/26/19					Wednesday 02/27/19					Thursday 02/28/19					Friday 03/01/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500																					\$5.15	144	744	888	C
1500 - 1600																					\$2.80	169	641	810	C
1600 - 1700																					\$2.85	117	588	705	B
1700 - 1800																					\$2.85	152	537	689	B
1800 - 1900																					\$2.85	166	527	693	B
1900 - 2000																					\$2.85	169	427	596	B

PM Time	Monday 03/04/19					Tuesday 03/05/19					Wednesday 03/06/19					Thursday 03/07/19					Friday 03/08/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	136	640	776	B	\$5.15	132	640	772	B	\$5.05	117	624	741	B	\$5.05	111	711	822	C	\$5.15	138	745	883	C
1500 - 1600	\$2.85	150	650	800	B	\$2.80	146	621	767	B	\$5.15	161	572	733	B	\$5.15	176	642	818	C	\$2.80	125	409	534	B
1600 - 1700	\$2.85	109	646	755	B	\$2.85	116	590	706	B	\$2.85	102	661	763	B	\$2.80	146	648	794	B	\$2.85	0	0	0	A
1700 - 1800	\$2.85	145	625	770	B	\$2.85	107	527	634	B	\$2.85	74	473	547	B	\$2.85	105	499	604	B	\$2.85	0	0	0	A
1800 - 1900	\$2.85	146	463	609	B	\$2.85	130	566	696	B	\$2.85	120	467	587	B	\$2.85	144	542	686	B	\$2.85	0	0	0	A
1900 - 2000	\$2.85	138	387	525	B	\$2.85	162	483	645	B	\$2.85	115	353	468	B	\$2.85	162	478	640	B	\$2.85	0	0	0	A

PM Time	Monday 03/11/19					Tuesday 03/12/19					Wednesday 03/13/19					Thursday 03/14/19					Friday 03/15/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	116	611	727	B	\$5.15	101	631	732	B	\$5.05	124	694	818	C	\$5.05	128	745	873	C	\$5.15	116	725	841	C
1500 - 1600	<b>\$2.85</b>	<b>160</b>	<b>650</b>	<b>810</b>	<b>C</b>	<b>\$2.80</b>	<b>178</b>	<b>651</b>	<b>829</b>	<b>C</b>	\$5.15	170	658	828	C	\$5.15	151	652	803	C	\$2.80	158	595	753	B
1600 - 1700	\$2.85	132	606	738	B	\$2.85	116	610	726	B	<b>\$2.85</b>	<b>147</b>	<b>699</b>	<b>846</b>	<b>C</b>	\$2.80	121	625	746	B	\$2.85	108	503	611	B
1700 - 1800	\$2.85	121	549	670	B	\$2.85	127	570	697	B	\$2.85	104	483	587	B	\$2.85	98	480	578	B	\$2.85	138	534	672	B
1800 - 1900	\$2.85	152	500	652	B	\$2.85	116	568	684	B	\$2.85	115	548	663	B	\$2.85	129	553	682	B	\$2.85	141	596	737	B
1900 - 2000	\$2.85	106	367	473	B	\$2.85	175	515	690	B	\$2.85	156	466	622	B	<b>\$2.85</b>	<b>210</b>	<b>593</b>	<b>803</b>	<b>C</b>	\$2.85	167	475	642	B

PM Time	Monday 03/18/19					Tuesday 03/19/19					Wednesday 03/20/19					Thursday 03/21/19					Friday 03/22/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	118	627	745	B	\$5.15	110	705	815	C	\$5.05	119	745	864	C	\$5.05	124	740	864	C	\$5.15	138	713	851	C
1500 - 1600	\$2.85	178	601	779	B	<b>\$2.80</b>	<b>158</b>	<b>643</b>	<b>801</b>	<b>C</b>	\$5.15	152	549	701	B	\$5.15	172	671	843	C	\$2.80	152	556	708	B
1600 - 1700	\$2.85	129	633	762	B	\$2.85	115	590	705	B	\$2.85	108	635	743	B	\$2.80	128	593	721	B	\$2.85	5	56	61	A
1700 - 1800	\$2.85	134	608	742	B	\$2.85	133	623	756	B	\$2.85	119	534	653	B	\$2.85	95	413	508	B	\$2.85	9	5	14	A
1800 - 1900	\$2.85	127	516	643	B	\$2.85	147	558	705	B	\$2.85	127	608	735	B	\$2.85	118	515	633	B	\$2.85	23	101	124	A
1900 - 2000	\$2.85	121	403	524	B	\$2.85	150	531	681	B	\$2.85	157	571	728	B	\$2.85	191	524	715	B	\$2.85	117	347	464	B

PM Time	Monday 03/25/19					Tuesday 03/26/19					Wednesday 03/27/19					Thursday 03/28/19					Friday 03/29/19				
	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS	Price	HOV	SOV	Vol.	LOS
1400 - 1500	\$2.85	133	630	763	B	\$5.15	125	683	808	C	\$5.05	136	703	839	C	\$5.05	126	729	855	C	\$5.15	154	721	875	C
1500 - 1600	\$2.85	171	581	752	B	<b>\$2.80</b>	<b>180</b>	<b>628</b>	<b>808</b>	<b>C</b>	\$5.15	189	596	785	B	\$5.15	174	624	798	B	\$2.80	185	528	713	B
1600 - 1700	\$2.85	121	465	586	B	\$2.85	128	587	715	B	\$2.85	129	652	781	B	\$2.80	143	608	751	B	\$2.85	154	529	683	B
1700 - 1800	\$2.85	152	562	714	B	\$2.85	134	590	724	B	\$2.85	114	533	647	B	\$2.85	120	541	661	B	\$2.85	144	532	676	B
1800 - 1900	\$2.85	150	566	716	B	\$2.85	136	529	665	B	\$2.85	137	612	749	B	\$2.85	135	537	672	B	\$2.85	163	549	712	B
1900 - 2000	\$2.85	141	381	522	B	\$2.85	166	535	701	B	\$2.85	162	580	742	B	<b>\$2.85</b>	<b>215</b>	<b>591</b>	<b>806</b>	<b>C</b>	\$2.85	192	469	661	B







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## RCTC OPERATIONAL HIGHLIGHTS

### **On-road Operations**

RCTC Freeway Service Patrol (FSP) responded to 97 calls during the month of March. Of those calls, 64 were to assist disabled vehicles, 10 were to remove debris, 14 were for traffic breaks, and 9 were in response to accidents.

### **6C Transponder Technology**

Planning for the transition to the new transponder technology is underway. The lane system will be upgraded over a series of weekends with completion of that work expected by summer of 2019. The new sticker transponders have been received and are being prepared for distribution. Changes to the back-office system to process the new transponders and make changes to the customer account plan are being finalized and will be released to the customer once both the RCTC and OCTA lane system upgrades are performed. A series of customer communication has been prepared to facilitate the process for providing the new transponders to customers.

# FINANCIAL HIGHLIGHTS RCTC

RCTC 91 Express Lanes Operating Statement				
Description	YTD as of:		YTD Variance	
	Actual <sup>1</sup>	3/31/2019 Budget	Dollar \$	Percent (%)
<b>Operating revenues:</b>				
Toll Revenue	\$ 36,628,544.15	\$ 24,073,575.00	\$ 12,554,969.15	52.2
Fee Revenue	6,380,666.56	3,631,725.00	2,748,941.56	75.7
<b>Total operating revenues</b>	<b>43,009,210.71</b>	<b>27,705,300.00</b>	<b>15,303,910.71</b>	<b>55.2</b>
<b>Operating expenses:</b>				
Salaries and Benefits	340,658.13	452,250.00	111,591.87	24.7
Legal Services	50,614.92	225,000.00	174,385.08	77.5
Advisory Services	28,075.52	56,250.00	28,174.48	50.1
Audit and Accounting Fees	-	35,250.00	35,250.00	100.0
Service Fees	2,799.35	19,500.00	16,700.65	85.6
Other Professional Services	610,550.00	1,098,900.00	488,350.00	44.4
Lease Expense	176,690.29	195,450.00	18,759.71	9.6
Operations	1,949,587.77	2,490,975.00	541,387.23	21.7
Utilities	27,519.37	48,000.00	20,480.63	42.7
Supplies and Materials	513.64	3,825.00	3,311.36	86.6
Membership and Subscription Fees	12,296.50	9,225.00	(3,071.50)	(33.3)
Office Equipment & Furniture (Non-Capital)	22.62	3,750.00	3,727.38	99.4
Maintenance/Repairs	71,090.02	650,325.00	579,234.98	89.1
Training Seminars and Conferences	675.00	6,000.00	5,325.00	88.8
Transportation Expenses	2,103.19	5,550.00	3,446.81	62.1
Lodging	2,053.07	5,250.00	3,196.93	60.9
Meals	1,069.28	1,350.00	280.72	20.8
Other Staff Expenses	2,609.43	2,100.00	(509.43)	(24.3)
Advertising	6,335.00	105,000.00	98,665.00	94.0
Program Management	36,001.41	47,925.00	11,923.59	24.9
Program Operations	5,527,960.32	6,541,650.00	1,013,689.68	15.5
Litigation Settlement	7,500.00	5,625.00	(1,875.00)	(33.3)
Furniture & Equipment	560,304.91	611,400.00	51,095.09	8.4
Improvements	1,391,489.79	1,272,637.50	(118,852.29)	(9.3)
Depreciation	7,973,379.38 <sup>3</sup>	-	(7,973,379.38)	N/A
Bad Debt Expense	36.50	75.00	38.50	51.3
<b>Total operating expenses</b>	<b>18,781,935.41</b>	<b>13,893,262.50</b>	<b>(4,888,672.91)</b>	<b>(35.2)</b>
<b>Operating income (loss)</b>	<b>24,227,275.30</b>	<b>13,812,037.50</b>	<b>10,415,237.80</b>	<b>75.4</b>
<b>Nonoperating revenues (expenses):</b>				
Interest Revenue	1,113,207.55	105,975.00	1,007,232.55	(950.4)
Gain(Loss) on Sale of Capital Assets	(2,224,669.52) <sup>2</sup>	-	(2,224,669.52)	N/A
Other Miscellaneous Revenue	2,031.24	6,375,075.00	(6,373,043.76)	100.0
Payment to Escrow Agent	-	(15,000,000.00)	15,000,000.00	(100.0)
Interest Expense	(20,653,784.17)	(5,339,925.00)	(15,313,859.17)	286.8
<b>Total nonoperating revenues (expenses)</b>	<b>(21,763,214.90)</b>	<b>(13,858,875.00)</b>	<b>(7,904,339.90)</b>	<b>(57.0)</b>
Transfers In	-	-	-	N/A
Transfers Out	(1,342,058.67)	(4,730,400.00)	3,388,341.33	(71.6)
<b>Net income (loss)</b>	<b>\$ 1,122,001.73</b>	<b>\$ (4,777,237.50)</b>	<b>\$ 5,899,239.23</b>	<b>(123.5)</b>

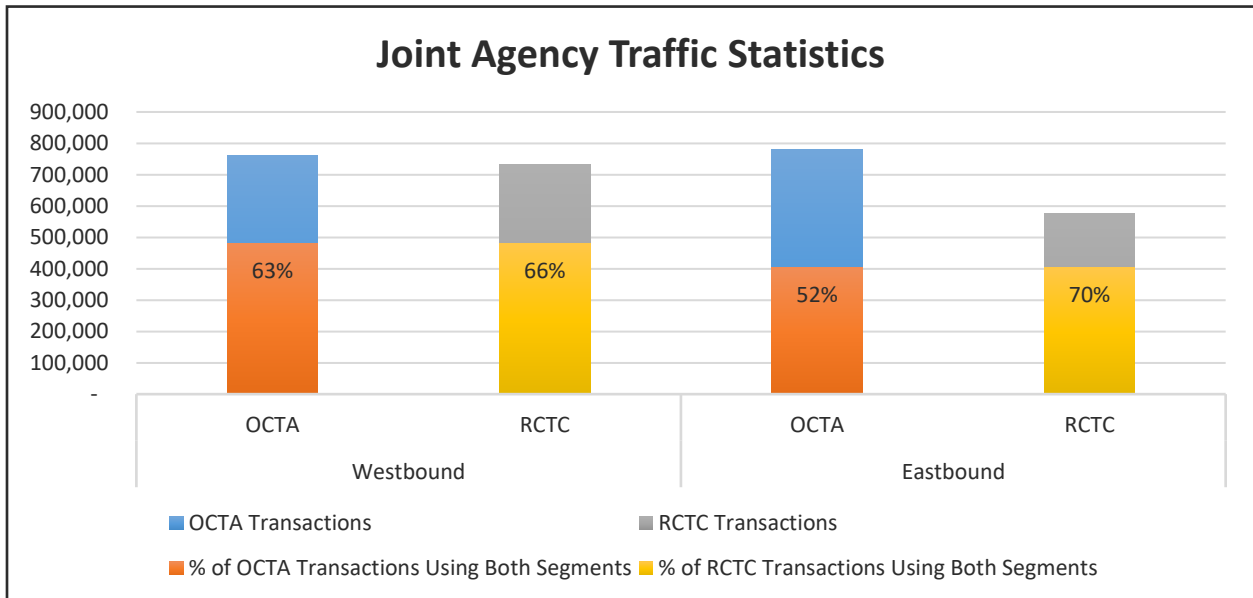
<sup>1</sup> Unaudited  
<sup>2</sup> Gain (loss) on sale of capital assets - Loss on sale of capital assets reflects the loss on sale of excess land purchased for the SR-91 Project. Loss on sale is not a cash-related item and not included in the FY18/19 budget.  
<sup>3</sup> Depreciation is not a budgeted expense



## JOINT AGENCY TRIP AND REVENUE STATISTICS

Mar-19 MTD	Transactions by Agency	Transactions Using Both Segments	% Using Both Segments	Revenue
<b>Westbound</b>				
OCTA	760,469	480,613	63%	\$ 1,883,319
RCTC	733,606	480,613	66%	\$ 3,291,762
I-15	305,676	208,288	68%	\$ 1,394,930
McKinley	427,930	272,325	64%	\$ 1,896,831
<b>Eastbound</b>				
OCTA	778,788	403,714	52%	\$ 2,659,108
RCTC	577,329	403,714	70%	\$ 1,807,088
I-15	204,106	158,140	77%	\$ 443,660
McKinley	373,223	245,574	66%	\$ 1,363,428

## JOINT AGENCY TRAFFIC STATISTICS



## JOINT AGENCY PERFORMANCE MEASURES

REPORTING REQUIREMENT	Reporting Period	PERFORMANCE STANDARD	Mar-19 Performance
<b>CUSTOMER SERVICE</b>			
Call Wait Time	Monthly	Not to exceed 2 minutes	1:52
Abandon Rate	Monthly	No more than 4.0%	2.4%
Customer Satisfaction	Monthly	At least 75 outbound calls	75
<b>VIOLATION PROCESSING</b>			
Response Time	Monthly	Within 2 business days of receipt	0.9
CUSA Violation Collection Rate	Quarterly	70% or more	63%
CUSA Violation Collection Rate	Annually	74% or more	
<b>TRAFFIC OPERATIONS</b>			
Initial & Secondary Reviews	Monthly	Equal to or less than 15 days	1.2
* Plate Misread Errors	Monthly	Equal to or less than 0.4%	0.01%
CAS Response Time	Monthly	0:20 (minutes) per call	0:09
<b>ACCOUNTING</b>			
OCTA Exceptions	Monthly	No more than 3	0
RCTC Exceptions	Monthly	No more than 3	0
<b>INFORMATION TECHNOLOGY</b>			
Back-office System Uptime	Monthly	99% Availability	100%
Network Uptime	Monthly	99% Availability	100%

CUSA = Cofirooute USA; CAS = OCTA Customer Assistance Specialists

\* Plate Misread Error performance is current after a 60-day hold-back period; therefore, percentage reported here is for 2 months prior to the month of this report.

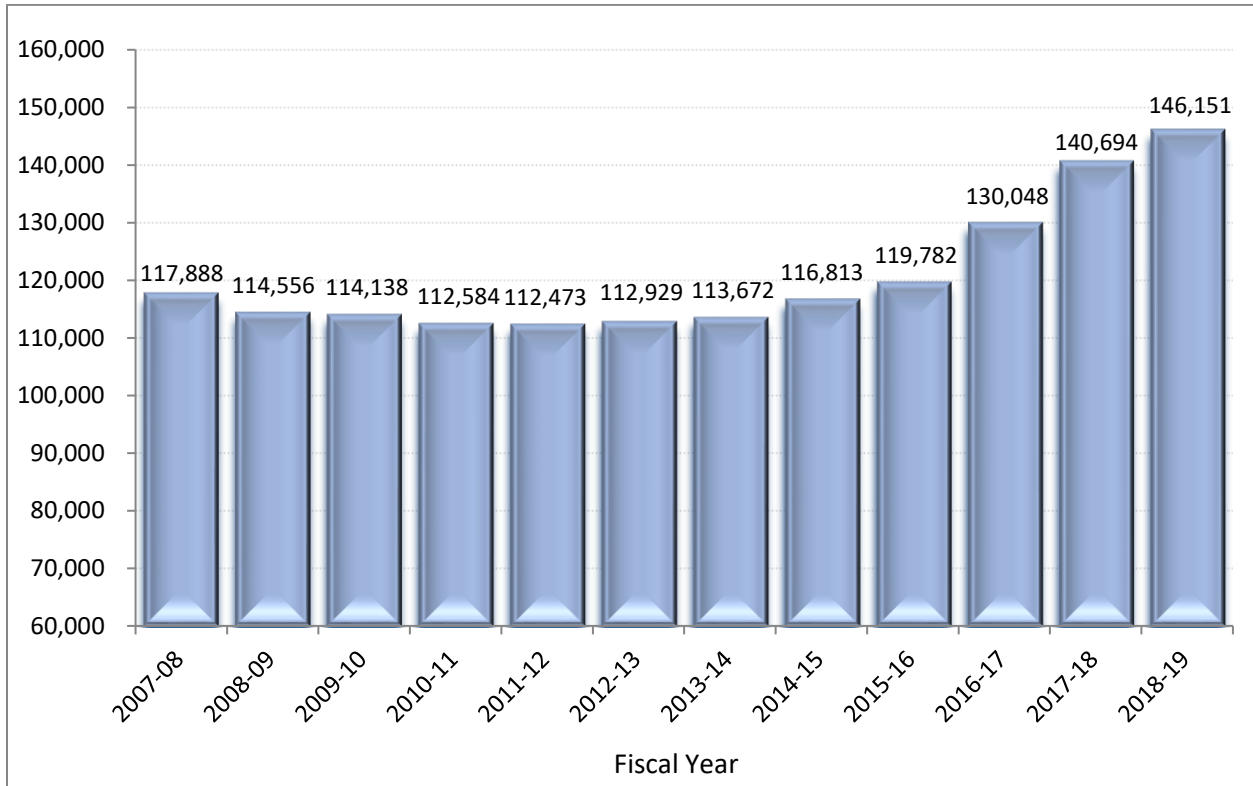
## JOINT AGENCY TRANSPONDER DISTRIBUTION

TRANSPONDER DISTRIBUTION	March-19		February-19		FY 2018-19	
	Tags	% of Total	Tags	% of Total	Average To-Date	
<b>Issued</b>						
To New Accounts	1,383	48.7%	1,210	47.1%	1,434	46.0%
Additional Tags to Existing Accounts	798	28.1%	726	28.3%	846	27.1%
Replacement Transponders	661	23.3%	631	24.6%	839	26.9%
Total Issued	<b>2,842</b>		<b>2,567</b>		<b>3,119</b>	
<b>Returned</b>						
Account Closures	471	21.9%	518	34.2%	429	28.0%
Accounts Downsizing	223	10.4%	215	14.2%	195	12.7%
Defective Transponders	1,458	67.8%	780	51.6%	911	59.3%
Total Returned	<b>2,152</b>		<b>1,513</b>		<b>1,535</b>	

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At the end of March 2019, the 91 Express Lanes had 146,151 active customer accounts, and 222,503 transponders classified as Assigned.

**Number of Accounts by Fiscal Year  
As of March 31, 2019**



**Incoming Email Activity**

During March, the Anaheim Processing Center received 3,157 emails.



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2019-20

### **Overview**

The State Constitution requires that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following year pursuant to Article XIII B.

### **Recommendation**

Adopt Orange County Local Transportation Authority/Measure M2 Resolution No. 2019-027 to establish the Orange County Local Transportation Authority/Measure M2 appropriations limit at \$1,821,701,129 for fiscal year 2019-20.

### **Background**

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The proposition created Article XIII B of the California Constitution, which is also known as the Gann Appropriations Limitation.

Both the Article XIII B appropriations limit and its implementing legislation were modified by Proposition 111, approved by voters in 1990. The law specifies that the appropriations of revenues, "proceeds of taxes" by state and local governments, may only increase annually by a limit based on a factor comprised of the change in population and the change in California per capita personal income. The appropriation limit includes any interest earned from the investment of the proceeds of taxes and must be reviewed during the annual financial audit.

**Resolution to Establish the Orange County Local Transportation Authority/Measure M2 Appropriations Limitation for Fiscal Year 2019-20** **Page 2**

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***Discussion***

In accordance with the requirements of Article XIII B, a resolution has been prepared and is attached for review and approval (Attachment A). The resolution establishes the Orange County Local Transportation Authority (LTA)/Measure M2 (M2) appropriations limit for fiscal year (FY) 2019-20 at \$1,821,701,129, excluding federal grant funds and other funds to be received from sources not subject to the appropriations limitation.

Attachment B shows the calculation of the FY 2019-20 Orange County LTA/M2 appropriations limit. Appropriations subject to limitation do not include appropriations for debt service, costs of complying with the mandates of the courts, federal government, or capital outlay projects. The change in population and change in California per capita personal income rates were obtained from the State of California, Department of Finance.

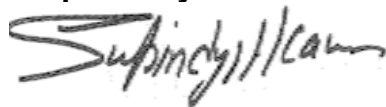
***Summary***

Staff recommends adoption of the Orange County Local Transportation Authority/Measure M2 Resolution No. 2019-027, which will establish the fiscal year 2019-20 appropriation limit at \$1,821,701,129 for the Orange County Local Transportation Authority.

***Attachments***

- A. Resolution No. 2019-027 of the Orange County Local Transportation Authority - Measure M2 Establishing Appropriations Limit for Fiscal Year 2019-20
- B. Orange County Local Transportation Authority - Measure M2 GANN Appropriations Limit Calculation for Fiscal Year 2019-20

**Prepared by:**



Sam Kaur  
Department Manager,  
Revenue Administration  
(714) 560-5889

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649

**RESOLUTION No. 2019-027 OF THE  
ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY - MEASURE M2  
ESTABLISHING APPROPRIATIONS LIMIT FOR  
FISCAL YEAR 2019-20**

**WHEREAS**, Article XIII B of the California constitution and Sections 7900 through 7913 of the California Government Code require the establishment of an appropriations limit; and

**WHEREAS**, appropriations limits are applicable to funds received from the proceeds of taxes and interest earned on such proceeds.

**NOW, THEREFORE, BE IT RESOLVED** as follows:

1. The Orange County Local Transportation Authority/Measure M2 hereby determines that pursuant to Section 7902b of the California Government Code, the appropriations limit for the Orange County Local Transportation Authority/Measure M2 for Fiscal Year 2019-20 is \$1,821,701,129.
2. The total amount authorized to be expended by the Orange County Local Transportation Authority/Measure M2 during the Fiscal Year 2019-20 from the proceeds of taxes, including interest earned from the investment of the proceeds of taxes, is \$355,650,385.
3. The appropriations limit for Fiscal Year 2019-20 exceeds proceeds of taxes for Fiscal Year 2019-20 by \$1,466,050,744.

ADOPTED SIGNED AND APPROVED this 10th day of June 2019.

AYES:

NOES:

ABSENT:

ATTEST:

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Laurena Weinert  
Clerk of the Board

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Tim Shaw, Chairman  
Orange County Local Transportation Authority

**Orange County Local Transportation Authority - Measure M2  
GANN Appropriations Limit Calculation for  
Fiscal Year 2019-20**

**GANN FACTOR**

<u>PER CAPITA CHANGE<sup>1</sup></u>	<u>%</u>	<u>RATIO</u>	<u>GANN FACTOR</u>
California per capita personal income change	3.85%	1.0385	
<u>POPULATION CHANGE<sup>2</sup></u>			
County of Orange	0.29%	1.0029	
<u>GANN FACTOR</u>	1.0385	x	1.0029 = <span style="border: 1px solid black; padding: 2px;">1.0415</span>

**FY 2019-20 APPROPRIATION LIMIT**

Prior Year Appropriations Limit	\$ 1,749,112,942
GANN Factor (Rounded)	x 1.0415
	<b>\$ 1,821,701,129</b>

**ITEMS SUBJECT TO GANN LIMIT<sup>3</sup>**

<u>Line Item</u>	<u>Amount</u>
1/2 cent sales tax (Measure M2)	\$ 337,230,556
CDTFA Fees	3,709,536
Interest Revenue	14,710,293
	<b>\$ 355,650,385</b>

**FY 2019-20 APPROPRIATION LIMIT**

	<b>Amount</b>
FY 2019-20 Appropriations Limit	\$ 1,821,701,129
Less Items Subject to GANN Limit	(355,650,385)
<b>Appropriation Limit that exceeds the proceeds of taxes:</b>	<b>\$ 1,466,050,744</b>

Note:

**CDTFA** - California Department of Tax and Fee Administration

<sup>1,2</sup>Price Factor and Population Information provided by the Department of Finance.

<sup>3</sup>Items subject to GANN Limit provided from proposed FY20 budget



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Resolution to Establish the Orange County Transportation Authority General Fund Appropriations Limitation for Fiscal Year 2019-20

A handwritten signature in blue ink, appearing to read "Darrell Johnson", is written over the "From:" line of the memo.

**Overview**

The State Constitution requires that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following year pursuant to Article XIII B.

**Recommendation**

Adopt Orange County Transportation Authority Resolution No. 2019-028 to establish the Orange County Transportation Authority General Fund appropriations limit at \$12,054,043 for fiscal year 2019-20.

**Background**

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The proposition created Article XIII B of the California Constitution, which is also known as the Gann appropriations limitation.

Both the Article XIII B appropriations limit and its implementing legislation were modified by Proposition 111, approved by voters in 1990. The law specifies that the appropriations of revenues, "proceeds of taxes" by state and local governments, may only increase annually by a limit based on a factor comprised of the change in population and the change in California per capita personal income. The appropriation limit includes any interest earned from the investment of the proceeds of taxes and must be reviewed during the annual financial audit.



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***Discussion***

In accordance with the requirements of Article XIII B, a resolution has been prepared and is attached for review and approval (Attachment A). The resolution establishes the Orange County Transportation Authority (OCTA) General Fund appropriations limit for fiscal year (FY) 2019-20 at \$12,054,043, excluding federal grant funds and other funds to be received from sources not subject to the appropriations limitation.

Attachment B shows the calculation of the FY 2019-20 OCTA General Fund appropriations limit. Appropriations subject to limitation do not include appropriations for debt service, costs of complying with the mandates of the courts or the federal government, or capital outlay projects. The percentage change in population and change in California per capita personal income were obtained from the State of California, Department of Finance.

***Summary***

Staff recommends adoption of the Orange County Transportation Authority General Fund Resolution No. 2019-028, which will establish the fiscal year 2019-20 appropriation limit at \$12,054,043.

***Attachments***

- A. Resolution No. 2019-028 of the Orange County Transportation Authority - General Fund Establishing Appropriations Limit for Fiscal Year 2019-20
- B. Orange County Transportation Authority - General Fund GANN Appropriations Limit Calculation for Fiscal Year 2019-20

**Prepared by:**



Sam Kaur  
Department Manager,  
Revenue Administration  
(714) 560-5889

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649

**RESOLUTION No. 2019-028 OF THE  
ORANGE COUNTY TRANSPORTATION AUTHORITY - GENERAL FUND  
ESTABLISHING APPROPRIATIONS LIMIT FOR  
FISCAL YEAR 2019-20**

**WHEREAS**, Article XIII B of the California Constitution and Sections 7900 through 7913 of the California Government Code require the establishment of an appropriations limit; and

**WHEREAS**, appropriations limits are applicable to funds received from the proceeds of taxes and interest earned on such proceeds.

**NOW, THEREFORE, BE IT RESOLVED** as follows:

1. The Orange County Transportation Authority/General Fund hereby determines that pursuant to Section 7902b of the California Government Code, the appropriations limit for the Orange County Transportation Authority/General Fund for Fiscal Year 2019-20 is \$12,054,043.
2. The total amount authorized to be expended by the Orange County Transportation Authority/General Fund during Fiscal Year 2019-20 from the proceeds of taxes, including interest earned from the investment of the proceeds of taxes, is \$4,953,191.
3. The appropriations limit for Fiscal Year 2019-20 exceeds proceeds of taxes for Fiscal Year 2019-20 by \$7,100,852.

ADOPTED, SIGNED, AND APPROVED this 10th day of June 2019.

AYES:

NOES:

ABSENT:

ATTEST:

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Laurena Weinert  
Clerk of the Board

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Tim Shaw, Chairman  
Orange County Transportation Authority

**Orange County Transportation Authority - General Fund  
GANN Appropriations Limit Calculation for  
Fiscal Year 2019-20**

**GANN FACTOR**

<u>PER CAPITA CHANGE</u> <sup>1</sup>	<u>%</u>	<u>RATIO</u>	<u>GANN FACTOR</u>
California per capita personal income change	3.85%	1.0385	
<u>POPULATION CHANGE</u> <sup>2</sup>			
County of Orange	0.29%	1.0029	
<u>GANN FACTOR</u>	1.0385	x	1.0029 = <span style="border: 1px solid black; padding: 2px;">1.0415</span>

**FY 2019-20 APPROPRIATION LIMIT**

Prior Year Appropriations Limit	\$	11,573,733
GANN Factor (Rounded)	x	1.0415
	\$	<b>12,054,043</b>

**ITEMS SUBJECT TO GANN LIMIT<sup>3</sup>**

<i>Line Item</i>	<i>Amount</i>
Transfers in from the LTF (CTC Administration and Planning)	\$ 4,071,532
Interest Revenue	881,659
	\$ <b>4,953,191</b>

**FY 2019-20 APPROPRIATION LIMIT**

FY 2019-20 Appropriations Limit	\$ 12,054,043
Less Items Subject to GANN Limit	\$ (4,953,191)
<b>Appropriation Limit that Exceeds the Proceeds of Taxes:</b>	<b>\$ 7,100,852</b>

Note:

**LTF** - Local Transportation Fund

**CTC** - County Transportation Commission

<sup>1,2</sup>Price Factor and Population Information provided by the Department of Finance.

<sup>3</sup>Items subject to GANN Limit provided from proposed FY20 budget



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2019

**Overview**

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending March 31, 2019. The report has been reviewed and is consistent with the pool objectives.

**Recommendation**

Receive and file as an information item.

**Background**

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Approximately \$2.9 million on an annual basis will be deposited in the endowment. As of March 31, 2019, the Orange County Transportation Authority has made three deposits to the Endowment Pool, each in the amount of \$2,877,000. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

***Discussion***

As of March 31, 2019, total pool assets in the CCF Endowment Pool were \$1.073 billion. Total foundation assets were \$1.78 billion. Performance for the Endowment Pool was 1 percent for the month, 0.3 percent below the benchmark; 8.3 percent for the quarter, 0.8 percent below the benchmark. The one-year return was 3.3 percent, exceeding the benchmark by 0.2 percent.

The balance as of March 31, 2019, was \$9,263,522. The number exceeds the projected balance of \$9,097,957 due to higher than projected investment earnings and lower than projected fees.

The projected annualized cost for endowment services was 0.75 percent based on indications received during the due diligence process. Based on the current balance of the endowment the cost for administration services is 0.25 percent.

***Summary***

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending March 31, 2019.

***Attachments***

- A. California Community Foundation Fund Statement – March 31, 2019
- B. California Community Foundation Endowment Pool Investments – March 2019

**Prepared by:**



Sean Murdock  
Director,  
Finance and Administration  
714-560-5685

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
714-560-5649



**Fund Name** OCTA - Measure M2 Environmental Mitigation Program Fund  
**Fund Start Date** 2/28/2017  
**Investment Pool(s)** Endowment Pool

## FUND STATEMENT

### OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

1/1/2019 - 3/31/2019

#### Fund Summary

	Report Period 1/1/2019 - 3/31/2019	Calendar YTD 1/1/2019 - 3/31/2019
<b>Opening Fund Balance</b>	\$8,568,158.77	\$8,568,158.77
Contributions	0.00	0.00
Investment Activity, net	720,744.32	720,744.32
Administration & Grant Management Fees	(25,381.30)	(25,381.30)
Net Changes to Fund	695,363.02	695,363.02
<b>Ending Balance</b>	<b>\$9,263,521.79</b>	<b>\$9,263,521.79</b>

#### Investment Pool Performance as of 03/31/2019

	This Qtr.	1-Year	3-Years	5-Years	10-Years
<b>Endowment Pool</b>	8.3%	3.3%	8.8%	4.7%	8.7%
<b>Social Impact Endowment Pool</b>	8.7%	5.6%	7.7%	5.9%	9.4%
<b>Conservative Balanced Pool</b>	5.2%	5.5%	5.1%	4.3%	n/a
<b>Short Duration Bond Pool</b>	1.6%	3.6%	1.4%	n/a	n/a
<b>Capital Preservation Pool</b>	0.6%	2.2%	1.2%	0.8%	0.7%

**Endowment Pool** - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% equities, 14% hedge funds, 22% fixed income and 14% real assets. Investment management fees are 66 basis points.

**Social Impact Endowment Pool** - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 60%-75% equities and 25%-40% fixed income. Investment management fees are 68 basis points.

**Conservative Balanced Pool** - designed to aim for moderate growth and to offer diversified exposure to the U.S. equity market and to investment grade fixed income with maturities from one to five years and an asset allocation of 70% fixed income and 30% equities investments. Investment management fees are 9 basis points.

**Short Duration Bond Pool** - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 5 basis points.

**Capital Preservation Pool** - designed to preserve principal and provide liquidity for present grantmaking needs through investment in short-term fixed income and cash instruments. Investment management fees are 10 basis points.



# Endowment Pool

## INVESTMENTS

March 2019

The Endowment Pool returned 1.0% for the month of March 2019, 30 basis points behind its benchmark. For the trailing year, the pool returned 3.3%, 20 basis points ahead of its benchmark.

**Total Pool Assets**

\$1.073 billion (Endowment Pool), \$1.78 billion (total foundation assets) as of March 31, 2019.

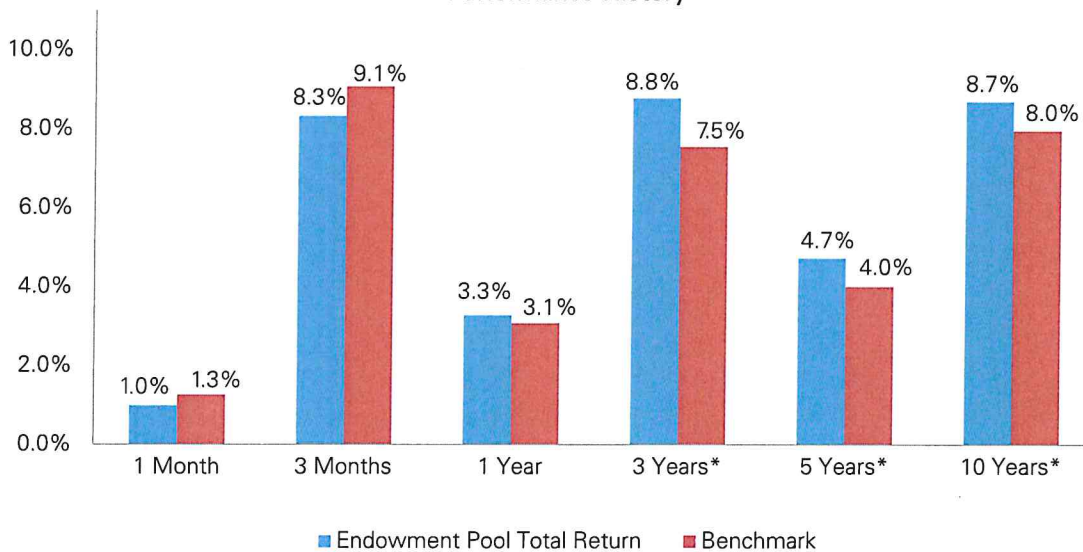
**Pool Objective**

Preserve the real (i.e., inflation-adjusted) purchasing power of the investment pool net of annual distributions for grants and expenses. An additional objective is to provide a relatively predictable, stable stream of distributions for grants and expenses that keep pace with inflation over time.

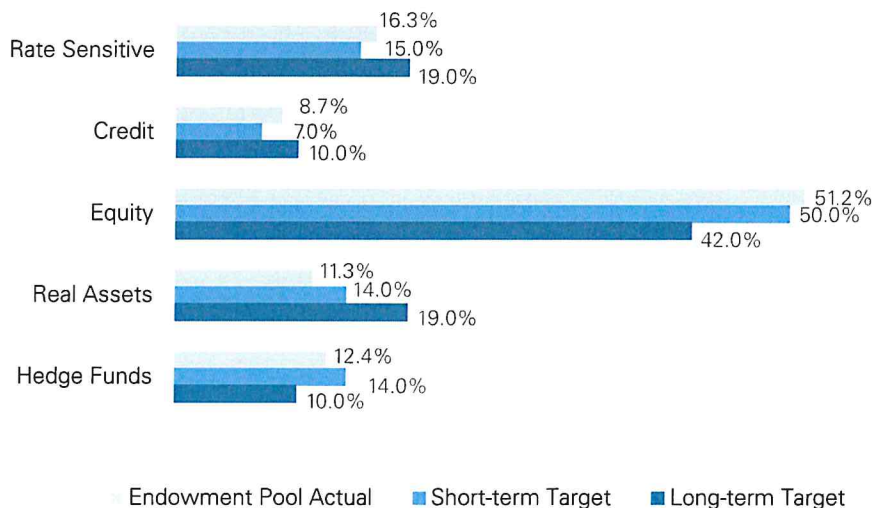
**Investment Consultant**

Meketa Investment Group

**Performance History**



**Asset Allocation**



\*Represents annualized returns.

- 1) Investment expense ratio approximates 0.57%, excluding fund manager incentive fees.
- 2) Investment performance is presented net of investment expenses, including fund manager incentive fees.
- 3) Total Fund Benchmark is a combination of: 50% MSCI ACWI / 14% HFR FOF / 14% S&P Real Assets Indx / 15% Barc Agg. / 7% Barc High Yield.
- 4) Short-term target allocation is over 1-4 years, long-term target allocation is over 4-9 years.



**May 22, 2019**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Consultant Selection for the Implementation of the Federal Disadvantaged Business Enterprise Program

**Overview**

On February 5, 2019, the Orange County Transportation Authority issued a request for proposals for Disadvantaged Business Enterprise consulting services. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested for the selection of a firm to perform the required work.

**Recommendations**

- A. Approve the selection of Padilla & Associates, Inc., as the firm to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for the Orange County Transportation Authority.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0987 between the Orange County Transportation Authority and Padilla & Associates, Inc., to provide assistance in administering the Federal Disadvantaged Business Enterprise Program for a five-year term, in the amount of \$950,000.

**Discussion**

The Orange County Transportation Authority (OCTA) is required to maintain a Disadvantaged Business Enterprise (DBE) Program as a condition of receiving federal assistance, pursuant to Section 1101 of the Fixing America's Surface Transportation Act; Title 49 Code of Federal Regulations Part 26; and Federal Transit Administration Master Agreement. As a recipient of federal funds, OCTA must implement policies and procedures to ensure that DBE firms have maximum opportunities to participate in all procurement activities.



A DBE is a for-profit, small business that is at least 51 percent owned and controlled by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, is one in which 51 percent of the stock is owned and controlled by one or more socially and economically disadvantaged individuals. A socially and economically disadvantaged individual is defined by federal regulations to be a citizen or lawfully admitted permanent resident of the United States who is an African American, Hispanic, Native American, Asian-Pacific American, Subcontinent Asian American, a woman, or a member of any additional group that can demonstrate that he or she is socially or economically disadvantaged.

OCTA's Contracts Administration and Materials Management (CAMM) Department is responsible for the administration of the DBE Program. Annually, CAMM manages between 75 and 100 federally-funded contracts that include DBE participation goals. The Director of CAMM is the DBE Liaison Officer for OCTA. There are no full-time employees fully dedicated to work on the DBE Program. The Director of CAMM and an Executive Assistant manage the DBE Program on a part-time basis. Consultant services have been used to provide staffing and expertise to assist OCTA in administering this program. The scope of services includes: reviewing annually OCTA's DBE Program and contract template language; updating the documents as necessary; preparing triennial and contract specific DBE goals; attending and providing DBE information at pre-proposal and pre-bid meetings; assessing DBE compliance with the established goal and/or reviewing Good Faith Efforts; monitoring of DBE compliance on all federally funded contracts, as well as with subrecipient agencies; and conducting staff and consultant training.

### ***Procurement Approach***

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar projects, work plan, and a fair and reasonable price structure.

On February 5, 2019, Request for Proposals 9-0987 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on February 5 and February 11, 2019. A pre-proposal conference was held on February 12, 2019, with attendees representing two firms. Two addenda were issued to make available the pre-proposal conference registration sheets and presentation, as well as to respond to written questions.

On March 4, 2019, seven proposals were received. An evaluation committee consisting of OCTA staff from CAMM, External Affairs, and Capital Programs met to review all proposals received.

The proposals were evaluated based on the following evaluation criteria and weightings:

- Qualifications of the Firm 25 percent
- Staffing and Project Organization 30 percent
- Work Plan 25 percent
- Cost and Price 20 percent

Several factors were considered in developing the evaluation criteria weightings. Staffing and project organization was weighted highest at 30 percent to emphasize the importance of the firm having experienced and qualified personnel to perform the work set forth in the scope of work. Qualifications of the firm and work plan were both weighted at 25 percent as the firm had to demonstrate experience managing DBE programs and extensive knowledge of DBE requirements. Additionally, the firm needed to demonstrate through its work plan that it has a thorough understanding of the project requirements and can perform the work as required. Cost was weighted at 20 percent to ensure competitive hourly rates and OCTA receives value for the services provided.

On March 19, 2019, the evaluation committee reviewed the seven proposals based on the evaluation criteria and short-listed the two most qualified firms listed below in alphabetical order:

GCAP Services, Inc. (GCAP)  
Costa Mesa, California

Padilla & Associates, Inc. (Padilla)  
Santa Ana, California

The short-listed firms were invited for an interview. The interviews were conducted on March 27, 2019, and consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements. The firms were also asked to perform a demonstration of their proposed web-based monitoring and reporting tool. The firms were requested to address the software/system's features, functionality, and describe how the tool would be integrated into the project. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' proposed allocation of staffing resources to perform the services, the firms' approach to conducting different type of audit functions, and clarification of the firms' quality control plan and process. Finally, each team was asked specific clarification questions related to

their proposal. After the interviews, the evaluation committee met to complete the evaluation.

There were changes to the individual criteria scores of both short-listed firms after the interviews; however, the overall ranking of the firms did not change as a result of the interviews.

Based on the evaluation of the written proposals, firm's qualifications, proposed hourly rates, and information obtained from the interviews, the evaluation committee recommends Padilla for consideration of the award. Following is a brief summary of the proposal evaluation results.

#### Qualifications of the Firm

Both short-listed firms demonstrated experience and qualifications in managing DBE programs.

Padilla has over 25 years of experience in design, development, and administration of DBE compliance programs for various public agencies throughout the State of California and employs 31 individuals. Padilla currently provides similar services to the California High-Speed Rail Authority, Southern California Regional Rail Authority, and the Los Angeles County Metropolitan Transportation Authority's Crenshaw/Los Angeles International Airport project. Based on their subject matter expertise, Padilla was selected by the California Department of Transportation to develop and facilitate Best Practice Training in administering DBE programs on a statewide basis. The firm is also part of the United States Department of Transportation's Triennial Audit Review Team.

Padilla is currently the incumbent firm providing DBE Program consulting services to OCTA and has a proven track record of effectively managing all aspects of the DBE Program and working with staff to comply with federal regulations.

GCAP has approximately 22 years of experience in development and administration of DBE programs and employs 18 individuals. GCAP currently provides administration of DBE compliance programs similar to OCTA's scope of work for the San Diego Association of Governments and the San Bernardino County Transportation Authority. GCAP also assists various public agencies in the State of California by providing several DBE-related services and training in support of DBE efforts.

GCAP, in a subcontractor capacity to Parsons Transportation Group, Inc., currently provides labor compliance and DBE support services for OCTA's Interstate 405 (I-405) Improvement Project. The firm's role in this specific project was reviewed and clarifying questions were asked during the interview to

address a potential conflict of interest if GCAP was awarded this contract because it would be responsible for monitoring its own activities related to DBE compliance on the I-405 Project. The firm acknowledged the potential conflict of interest, but did not provide a clear plan as to how the compliance monitoring activities and personnel would be segregated to address this concern.

#### Staffing and Project Organization

Both short-listed firms proposed experienced project teams with relevant DBE Program compliance experience.

Padilla's proposed project team demonstrated experience in developing, planning, and administering tailored direct recipient and sub-recipient agency DBE programs. Padilla's proposed project manager has over 17 years of experience in the field and is currently assigned as the project manager for OCTA's DBE Program. The proposed DBE analyst has 18 years of relevant experience in both the private and public sectors. The proposed principal has over 25 years of experience and specializes in all aspects of DBE Program management. Padilla's team members have high availability for this project and during the interview, the project team discussed their roles and approach to performing the various DBE services as required for the scope of work, and provided comprehensive responses to the evaluation committee's questions.

GCAP's proposed project manager has over 35 years of experience in the fields of small and DBE certification, contract compliance, and community outreach. The majority of experience demonstrated is related to assisting agencies with specific components of DBE compliance and training, not in managing a day-to-day DBE Program as required by the scope of work. Additionally, the project manager's tenure with GCAP is less than one year. The proposed senior DBE analyst has over ten years of relevant experience. The proposed DBE compliance analyst, which is proposed to have the highest availability for this project, has three years of relevant experience and was not present at the interviews. The proposed principal has over 25 years of experience and has developed and managed several DBE programs for state and regional transportation clients.

#### Work Plan

Both short-listed firms demonstrated an understanding of OCTA's DBE Program requirements.

The work plans proposed by both firms were thorough and demonstrated a comprehensive approach to completing the project requirements and deliverables. Additionally, both firms proposed a web-based monitoring and compliance tool that captures data for reporting purposes and allows contractors to enter required project information to automate and streamline processes and decrease staff hours that would be spent on reviewing numerous amounts of hard-copy documentation submitted by contractors.

During the interview, both firms were asked to clarify their quality control procedures. GCAP proposed to use both management and staff to perform this function. Padilla indicated that only the principal or project manager would perform quality control oversight.

#### Cost and Price

Price scores were based on a formula which assigned the highest score to the firm with the lowest weighted average hourly rate and scored the other proposals' weighted average hourly rates based on their relation to the lowest weighted average hourly rate. Padilla's proposed weighted average hourly rate was lower than GCAP's.

#### Procurement Summary

Based on the evaluation of the written proposals, the firm's qualifications, and the information obtained from the interviews, the evaluation committee recommends the selection of Padilla as the top-ranked firm to assist in administering the Federal DBE Program.

#### Fiscal Impact

This project is included in OCTA's Proposed Fiscal Year 2019-20 Budget, Finance and Administration Division, Contracts Administration and Materials Management Department, Account 1270-7519-A0011-KHT.

#### **Summary**

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Agreement No. C-9-0987 between OCTA and Padilla & Associates, Inc., in the amount of \$950,000, for a five-year term, for the firm to assist in administering the Federal DBE Program.

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***Attachments***

- A. Review of Proposals, RFP 9-0987 Disadvantaged Business Enterprise (DBE) Consulting Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 9-0987 Disadvantaged Business Enterprise (DBE) Consulting Services
- C. Contract History for the Past Two Years, RFP 9-0987 Disadvantaged Business Enterprise (DBE) Consulting Services

**Prepared by:**



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Virginia Abadessa  
Director, Contracts Administration and  
Materials Management  
714-560-5623

**Approved by:**



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Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
714-560-5649

**Review of Proposals**  
**RFP 9-0987 Disadvantaged Business Enterprise (DBE) Consulting Services**  
 Presented to Finance and Administration Committee - May 22, 2019  
**7 proposals were received, 2 firms were interviewed, 1 firm is being recommended.**

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Average Weighted Hourly Rates
1	84	Padilla & Associates, Inc. Santa Ana, California	None	Highest-ranked firm overall. Experienced project team. 25 years of experience in the DBE industry. Currently provides similar DBE program services for California High-Speed Rail Authority, Los Angeles County Metropolitan Transportation Authority's Crenshaw/LAX project, and OCTA's DBE Program. Proposed project manager has 17 years of experience managing DBE programs for public transportation agencies. Proposed customizable web-based monitoring and compliance tool in efforts to streamline processes and provide a cost savings in labor hours to OCTA. Quality control procedure identified only management-level oversight. Positive references.	\$ 101.99
2	74	GCAP Services, Inc. Costa Mesa, California	None	Proposed lower hourly rates for specific job functions. Second-ranked firm. 22 years of experience in the DBE industry. Currently provides similar DBE Program services for San Diego Association of Governments and San Bernardino County Transportation Authority. Proposed project manager has 35 years of experience in the fields of DBE certification, contract compliance, and community outreach. Proposed project manager has less than one year tenure with GCAP. Proposed web-based monitoring and compliance tool in efforts to streamline processes and provide a cost savings in labor hours to OCTA. Not all proposed key personnel were present for the interview. Quality control procedure identified management and staff oversight. Positive references.	\$ 125.08

**Evaluation Panel:**

Internal:

- Contracts Administration and Materials Management (2)
- External Affairs (2)
- Capital Programs (1)

**Proposal Criteria**

- Qualifications of the Firm
- Staffing and Project Organization
- Work Plan
- Cost and Price

**Weight Factors**

- 25%
- 30%
- 25%
- 20%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)  
RFP 9-0987 Disadvantaged Business Enterprise (DBE) Consulting Services**

<b>FIRM: Padilla &amp; Associates, Inc.</b>						<b>Weights</b>	<b>Overall Score</b>
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>		
Qualifications of Firm	4.5	4.0	5.0	5.0	4.0	5	22.5
Staffing/Project Organization	4.5	4.5	4.0	4.5	4.0	6	25.8
Work Plan	4.5	4.0	4.0	4.0	4.0	5	20.5
Cost and Price	3.91	3.91	3.91	3.91	3.91	4	15.6
<b>Overall Score</b>	<b>87.6</b>	<b>82.6</b>	<b>84.6</b>	<b>87.6</b>	<b>79.6</b>		<b>84</b>

<b>FIRM: GCAP Services, Inc.</b>						<b>Weights</b>	<b>Overall Score</b>
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>		
Qualifications of Firm	4.0	4.0	4.0	4.5	4.0	5	20.5
Staffing/Project Organization	3.5	4.0	3.5	3.5	3.5	6	21.6
Work Plan	4.0	4.0	4.0	4.0	3.5	5	19.5
Cost and Price	3.19	3.19	3.19	3.19	3.19	4	12.8
<b>Overall Score</b>	<b>73.8</b>	<b>76.8</b>	<b>73.8</b>	<b>76.3</b>	<b>71.3</b>		<b>74</b>

Range of scores for non-short-listed firms was 53 to 68.



**CONTRACT HISTORY FOR THE PAST TWO YEARS**  
**RFP 9-0987 DISADVANTAGED BUSINESS ENTERPRISE (DBE) CONSULTING SERVICES**

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
<b>GCAP Services, Inc.</b>						
Contract Type: N/A Subconsultants: None	None	N/A	N/A	N/A	N/A	\$ -
<b>Sub Total</b>						<b>\$ -</b>
<b>Padilla &amp; Associates, Inc.</b>						
Contract Type: Time and Expense Subconsultants: None	C-4-1514	Consulting Services for DBE Program	September 1, 2014	August 31, 2019	N/A	\$ 1,050,000
<b>Sub Total</b>						<b>\$ 1,050,000</b>



**May 22, 2019**

**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 2019-20 Budget and Personnel and Salary Resolution

**Overview**

The Orange County Transportation Authority Fiscal Year 2019-20 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 fiscal year 2019-20 budget following the public hearing to be held at the Board of Directors' Meeting on June 10, 2019, at the following Board of Directors' meeting on June 24, 2019, or in a special meeting convened at their discretion. 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 2019-20 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2019-20.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approval of fiscal year 2019-20 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, in an amount up to \$30,287,870, including authorization of Federal Transit Administration funds, in an amount up to \$8,500,000, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County Transportation Authority portion of the costs for capital is \$515,980 and \$12,679,851 for rehabilitation.

***Background***

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2018 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). The service plan and program goals and objectives were developed 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, 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 Human Resources and Organizational Development, to ensure a balanced and fiscally responsible budget is delivered consistent with the Board's goals, CEO's goals, Comprehensive Business Plan, and the Next 10 Plan.

The development of the FY 2019-20 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration Committee on March 27, 2019. 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 2019-20 budget in detail in an informal workshop setting on May 13, 2019. 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 10, 2019, Board meeting, after which staff anticipates seeking Board approval of the budget.

***Discussion***

The FY 2019-20 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. Expenditures 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 use of reserves produces available funding of \$1,525.2 million, while proposed expenditures and designations yield a total use of funds of \$1,525.2 million. On a year-over-year comparison to the approved FY 2018-19 budget, the FY 2019-20 proposed budget is \$219.3 million higher than the FY 2018-19 budget. The increase is driven by the purchase of replacement buses for approximately half of the fixed-route and paratransit fleets.

In FY 2019-20, the sales tax growth rate for the M2 Program is forecasted to be 2.5 percent, and the growth rate for the ¼ cent Local Transportation Fund sales tax is forecasted to be 2.1 percent, based on the Board-approved sales tax forecasting methodology.

The M2 Program will continue to improve freeways, and streets and roads throughout Orange County, as well as fund multiple transit programs. Included in the proposed budget is \$366.4 million to help fund freeway improvement projects on Interstate 405, Interstate 5, State Route 55 (SR-55), State Route 57 (SR-57), and State Route 91 (SR-91). Approximately \$159 million is budgeted to improve streets and roads, including \$58 million to fund the Local Fair Share Program, \$57.2 million for the Regional Capacity Program, and \$33.5 million for Regional Traffic Signal Synchronization. In addition, the budget also includes \$48.5 million for ongoing construction of the OC Streetcar.

The Transit Program includes bus transit, rail transit, and commuter rail. For the bus program, efforts to increase ridership will continue with OC Bus 360°. Consumed fixed-route revenue hours are proposed to increase by 1.4 percent to 1.63 million based on the first full year of operations for Bravo! Route 529. The proposed budget continues to include fixed-route service at 60 percent directly-operated and 40 percent of the service delivered by OCTA's contracted service provider. In addition, OC Flex service continues with 23,000 revenue vehicle hours. No fare increase is assumed in the budget. Also included in the FY 2019-20 proposed budget is \$219.8 million for bus purchases.

For rail transit, OC Streetcar construction continues, and execution of the operations and maintenance contract is expected to take place in FY 2019-20. Under commuter rail, planned changes to include the conversion of two Laguna Niguel to Fullerton roundtrips to one Laguna Niguel to

Los Angeles roundtrip. In addition, one added roundtrip in the evening from Oceanside to Los Angeles is also included in the FY 2019-20 proposed budget.

The 91 Express Lanes Program toll revenue is budgeted to increase by \$3.5 million, based primarily on an estimated increase in trips of approximately 300,000. Operating expenses are consistent with last year, and capital funds will be used to support the Placentia Metrolink station and the SR-91 freeway improvements from SR-57 to SR-55 (Project I), per prior Board actions.

The Motorist Services Program is budgeted to increase freeway service patrol scheduled service hours from 87,384 to 89,646, and administration of the Orange County Taxi Administration Program is fully funded for FY 2019-20.

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

Committee	Date
Legislative and Communications	May 16
Finance and Administration	May 22
Executive Committee	June 3
Regional Planning and Highways	June 3

#### Personnel and Salary Resolution

The FY 2019-20 Personnel and Salary Resolution (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 four percent merit pool and four percent special performance award pool. The PSR also includes a salary structure adjustment of two percent and a vacation benefit market adjustment. Salary structure adjustments do not automatically increase employee salaries unless they are below the minimum of the new range. Currently, there are six OCTA employees that fall below the proposed minimum grade range, which would require an automatic salary increase, totaling \$7,654.

#### 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 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.

Two specific firms that appear on the sole source list are Coastline Consulting Services and Compucom. These firms provide emergency malware support in the event of a cyber-attack or related incident. Although other vendors could provide these services, 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 in regards to Cyber Security remediation. On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$5.6 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 2019-20 SCRRA budget estimates the OCTA operating funding allocation to be \$30,287,870, including authorization of Federal Transit Administration funds, in an amount up to \$8,500,000, to be drawn down directly by SCRRA.

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 \$515,980 and \$12,679,851 for rehabilitation.

***Summary***

The Orange County Transportation Authority Fiscal Year 2019-20 Budget was reviewed by the Board of Directors in a workshop setting on May 13, 2019. The Board of Directors may approve the FY 2019-20 budget following the public hearing on June 10, 2019, at the regularly scheduled meeting on June 24, 2019, or in a special meeting convened at their discretion.

***Attachments***

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2019-20, OCTA Resolution No. 2019-026
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2019-20
- C. Proposed Changes for the Personnel and Salary Resolution (PSR) FY 19-20
- D. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List-Fiscal Year 2019/2020
- E. Transmittal of the SCRRRA Proposed FY 2019-20 Budget

**Prepared by:**



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**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
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**RESOLUTION OF THE BOARD OF DIRECTORS FOR  
THE ORANGE COUNTY TRANSPORTATION AUTHORITY  
APPROVING AN OPERATING AND CAPITAL BUDGET  
FISCAL YEAR 2019-20**

**WHEREAS**, the Chief Executive Officer and staff have prepared and presented to the Board of Directors a proposed operating and capital budget in the amount of \$1,525.2 million for Fiscal Year 2019-20;

**WHEREAS**, said Chief Executive Officer and staff did conduct a public workshop before the Board of Directors on May 13, 2019, in the Board Chambers, at which time the proposed budget was considered;

**WHEREAS**, a public hearing was conducted on June 10, 2019, at which the public was invited to express its views and objections to said budget; and;

**WHEREAS**, the original of said proposed budget will be revised to reflect each and all of the amendments, changes, and modifications which the Board of Directors, up to the time of the approval of this resolution, believes should be made in said proposed budget as so submitted and to correct any non-substantive errors or omissions.

**NOW, THEREFORE BE IT RESOLVED**, by the Board of Directors of the Orange County Transportation Authority as follows:

1. The operating and capital budget of the Orange County Transportation Authority and all affiliated agencies for the Fiscal Year July 1, 2019 through June 30, 2020, is hereby approved, a copy of which is on file with the Clerk of the Board.
2. The Clerk of the Board shall certify to the passage and approval of this resolution, and it shall thereupon be in full force and effect.

ADOPTED, SIGNED, AND APPROVED this 10th day of June 2019.

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

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Laurena Weinert  
Clerk of the Board

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Tim Shaw, Chairman  
Orange County Transportation Authority





Orange County Transportation Authority  
Budget Summary  
Fiscal Year 2019-20

*\$ in millions*

Estimated Revenues	\$ 1,159.8
Use of Prior Year Designations	<u>365.4</u>
<b>Total Sources of Funds</b>	<b><u>\$ 1,525.2</u></b>

**Appropriate Funds to:**

Salaries & Benefits	\$ 172.4
Services & Supplies	373.6
Contributions to Other Agencies	169.7
Debt Service	59.0
Capital / Fixed Assets	<u>667.8</u>
<b>Total Expenses</b>	<b>\$ 1,442.5</b>
Designation of Funds	<u>\$ 82.7</u>
<b>Total Uses of Funds</b>	<b><u>\$ 1,525.2</u></b>

**Proposed Changes for the  
Personnel and Salary Resolution (PSR) FY19-20**

**ATTACHMENT C**

<b>Subject</b>	<b>Page</b>	<b>Section</b>	<b>Proposed Change</b>	<b>Reason</b>
Various formatting changes				Throughout document
Reimbursement of Expenses	14	4.1E	Add Language	Adds language that a former Board Member who is asked to serve on a regional board, will be eligible for reimbursement of actual and necessary expenses.
Continuation of Benefits for Retirees	16	4.3F	Remove Language	Removes language that a retiree who receives a disability retirement is not eligible to continue medical, dental and/or vision benefits.
Deferred Compensation	19	4.7A	Change Language	Clarifies language to better describe the various tiers for the matching contribution. This benefit has not changed.
Additional Retiree Benefit Account Plan (ARBA)	20	4.7C	Add Language	Adds language that requires employee to be in good standing in order to receive this benefit. This is also the standard for the payment of sick leave upon retirement, with 10 or more years of service.
Vacation	25	4.8H	Vacation Proposal	Adjusts vacation accrual rates to help recruit and retain employees and to remain competitive with peers.
Newly Hired/Promoted Employees	28	5.3	Remove Language	Removes language that an employee is eligible for an increase 6 months after hire or promotion, to be consistent with recent changes to OCTA policy.
Special Performance Awards	29	5.7	4% Special Performance Award	Proposes 4% Special Performance Award
Changes to Salary Grades Min/Mid/Max	31		2% Salary Range Increase	Proposes 2% salary range adjustment
Job Classifications Moving to Different Salary Grades	31			Human Resources compensation market review and analysis recommends specific classifications be moved to different salary grades; others are new titles proposed and deleted in the budget.

# PERSONNEL AND SALARY RESOLUTION

FISCAL YEAR 201~~9~~8-202~~0~~19

Effective: ~~June 24, 2018~~June 23, 2019

This document provides information on general policies regarding employment practices, employee benefits, compensation and salary structure for administrative employees at the Orange County Transportation Authority and was approved by the Orange County Transportation Authority Board of Directors on ~~June 10, 2019~~June 11, 2018.

Prepared by:

*Human Resources and Organizational Development Division*



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## **SECTION 1 PURPOSE AND PROCEDURES**

### **1.1 PURPOSE OF PERSONNEL AND SALARY RESOLUTION**

In an effort to establish an equitable and consistent plan for managing Human Resources matters, to attract, develop and retain top talent, and to ensure consistent selection, promotion, and compensation practices based on merit, ability, and performance, the following Human Resources policies for administrative employees are hereby adopted.

The Orange County Transportation Authority (OCTA) reserves and maintains the right to eliminate, modify or otherwise change, at any time, for any reason, any provision(s) of this Personnel and Salary Resolution (PSR), as established and approved by the Board of Directors, including, but not limited to, any employee benefit or right provided in this PSR.

### **1.2 HUMAN RESOURCES POLICIES AND PROCEDURES**

The Chief Executive Officer (CEO), acting as the Appointing Authority (AA), may elect to delegate certain responsibilities. The CEO is charged with ensuring OCTA Human Resources policies and procedures provide for an effective and efficient organization, staffed with qualified employees receiving fair and equitable treatment. The Executive Director of Human Resources and Organizational Development (HROD) is responsible for managing the Human Resources functions and is responsible for developing and administering Human Resources policies and procedures that are in the best interest of OCTA and its employees.

The CEO makes the final determination on the interpretation of OCTA Human Resources policies and is authorized to establish and maintain Human Resources procedures that are consistent with those policies.

Exceptions to the PSR may be authorized in writing by the CEO. This exception authority may not be delegated.

Please refer to specific policies and procedures for additional information.



## **SECTION 2 EMPLOYMENT**

### **2.1 AT-WILL EMPLOYMENT**

OCTA employees whose employment is governed by the provisions of this PSR are at-will. The AA has the right to reassign, dismiss, reduce pay, or suspend without pay any employee, at any time, for any reason. Similarly, OCTA employees may separate their employment at any time without prior notice.

### **2.2 APPROVAL AUTHORITY FOR EMPLOYEE ACTIONS**

The CEO is the AA for the selection and separation of all employees in all positions except those reporting directly to the Board. The CEO is authorized to approve revisions in classification titles and grades, provided that any such changes are in accordance with established OCTA Policies and Procedures and the Board-adopted fiscal year budget.

### **2.3 COMPENSATION**

OCTA will maintain a compensation philosophy and salary structure for full-time and part-time employees as stated in the PSR.

Salary ranges, rates, and employee benefits are reviewed and considered for adjustment not less often than annually. This permits OCTA an opportunity to periodically assess the competitiveness of the compensation plan, including the salary structure, and make necessary adjustments to reflect changes in internal equity and labor market conditions.

### **2.4 INTERNSHIPS**

A person employed in a College Intern position will be compensated at an hourly rate to be determined by the AA. A College Intern is not eligible for employee benefits paid by OCTA, except as required by law.

### **2.5 OUTSIDE EMPLOYMENT ACTIVITIES**

An administrative employee may not engage in outside employment or other outside activities incompatible with the full and proper discharge of the duties and responsibilities of his/her OCTA employment. Before accepting or engaging in any outside employment, an employee must obtain written permission from the AA.

## 2.6 PERFORMANCE PLANNING AND REVIEW PROGRAM

The AA is responsible for developing and administering a formal performance planning and review program for all full-time and part-time administrative employees.

## 2.7 RELOCATION EXPENSES

OCTA may provide relocation assistance as defined in the “Reimbursement of Relocation Expenses Policy.”

## 2.8 ELIMINATION OF POSITIONS AND WORKFORCE REDUCTIONS

Whenever it becomes necessary, the CEO may eliminate any position. The CEO has the authority to reduce the workforce and to layoff full-time or part-time employees because of the elimination of a position, lack of funds, lack of work, or for operational efficiencies. An employee who is laid-off because of the elimination of a position or reduction in the workforce may be placed in another position for which the employee is qualified at the same level or below, provided an opening exists. Workforce reductions may allow for the position to remain vacant until the AA finds it necessary to fill the position.

### 2.8A LAYOFF BENEFITS

An employee recalled within six months may be reinstated to the same position if the position is available. For purposes of this section, benefits based on length of service will be reinstated to the level prior to layoff if an employee is reinstated to the same or a different position within six months following the date of layoff.

An employee placed on layoff may be granted paid health insurance in accordance with the following schedule:

Years of Service	Length of Coverage
Less than 3	1 month
3 but less than 5	2 months
5 but less than 10	3 months
10 or more	4 months

Upon separation from OCTA due to layoff, all unused or unpaid vacation, personal paid holidays, and sick leave will be paid to the affected employee.

## 2.8B LAYOFF SEVERANCE PAY

The CEO may authorize the payment of severance pay to full-time and part-time employees in accordance with the following schedule:

Years of Service	Weeks of Severance Pay
Less than 3	2 weeks
3 but less than 5	3 weeks
5 but less than 10	4 weeks
10 or more	5 weeks

Severance pay for part-time employees is prorated in accordance with their regularly scheduled pay.

## **SECTION 3**

### **EXEMPT AND NON-EXEMPT EMPLOYEE, WORKWEEK, SCHEDULES, OVERTIME AND MAKE-UP TIME**

#### **3.1 EXEMPT EMPLOYEES**

Exempt employees are those in positions that are not covered under the provisions of the Fair Labor Standards Act (FLSA) regarding minimum wage, overtime, maximum hours and recordkeeping.

An exempt employee, either part-time or full-time, is not eligible for overtime payment, compensatory time or any additional compensation for time worked in excess of eight hours per day or 40 hours per workweek, or time worked in excess of his/her regular schedule.

Sick leave and vacation accruals, as well as retirement service credits, accrue on paid hours excluding overtime.

#### **3.2 NON-EXEMPT EMPLOYEES**

Non-exempt employees are those in positions that are covered under the provisions of the FLSA regarding minimum wage, overtime, maximum hours and recordkeeping. All hours worked, holidays, and benefit time taken must be accurately recorded on a timesheet and approved by the supervisor. Sick leave and vacation accruals, as well as retirement service credits, accrue on paid hours excluding overtime.

Non-exempt employees are strictly prohibited from volunteering or donating their time to OCTA by performing any work or function that is the same or similar to their regularly scheduled duties while in an unpaid status.

#### **3.3 WORKWEEK**

The FLSA defines workweek as a period of 168 hours consisting of seven consecutive 24-hour periods. The employer can determine the day and hour that the workweek begins. Each workweek is considered on its own to determine minimum wage and overtime payments: there is no averaging of two or more workweeks. The Department of Labor uses workweek to determine compliance with federal regulations such as requirements for wage payments and overtime. Workweek and overtime will be administered consistent with any applicable state and federal laws.

The regular workweek for a full-time OCTA employee is 40 hours per week, Sunday through Saturday, unless otherwise established with an alternative work schedule. The workweek does not need to coincide with the calendar week.

### **3.4 ALTERNATIVE WORK SCHEDULES**

The AA has the authority to designate flexible starting, ending, and core times for the performance of work during the standard workday consistent with OCTA's "Workweek and Overtime Policy."

The AA also has the authority to designate alternative workweek schedules, such as 4/10 or 9/80, provided the administration of such schedules is consistent with OCTA policy and any applicable state and federal laws.

The AA may establish necessary guidelines to administer alternative workweek schedules at the department and section level.

### **3.5 OVERTIME**

Overtime must be authorized prior to performance of such work. Authorized work performed in excess of eight hours per day or in excess of 40 hours per workweek by a full-time or part-time non-exempt employee is considered overtime. This does not apply to a non-exempt employee who regularly works a 9/80 work schedule or who regularly works any other work schedule totaling 40 hours per workweek. All paid hours except sick time will be considered hours worked.

Excluding employees on an alternative work schedule, non-exempt employees will be paid 1-1/2 times their regular rate for all time worked in excess of eight (hours in a workday or 40 hours in a workweek). Non-exempt employees on alternative work schedules will be eligible for daily overtime for hours worked in excess of their regular schedule or 40 hours in a workweek.

For purposes of calculating overtime compensation, paid holidays not worked and pre-approved vacation not worked are treated as authorized work performed. If a designated holiday occurs on a regularly scheduled day off, these hours are not considered hours worked. Hours away from work due to illness, even when compensated, are not included in overtime calculations.

A non-exempt employee who is required to work on a designated holiday will be paid 1-1/2 times his/her regular rate for authorized work performed, in addition to regular holiday pay. Added pay for holiday hours worked will not be considered when calculating overtime on more than 40 hours in a workweek.

OCTA does not permit the accrual of compensatory time in lieu of payment of overtime.

In no case may a non-exempt employee's workweek be changed when the purpose of the change is to avoid compensating the employee at 1-1/2 times his/her regular rate for work performed in excess of his/her regular work schedule.

If, in the judgment of the employee's supervisor, work beyond the normal workday, workweek, or work period is required, such work may be authorized.

### **3.6 MAKE-UP TIME**

Consistent with OCTA policy, when a non-exempt employee requests to leave or miss certain hours of a day and then to make it up by working longer hours on another day, it is called make-up time. Make-up time is permitted when requested by the employee due to the employee's personal obligation. The employee must request to use make-up time in writing before taking the time off or working the make-up hours, and the supervisor must approve it. The time must be made up within the same workweek as the time that was taken off. The made-up time cannot cause the employee to work more than 11 hours in a day or more than 40 hours in a workweek, as this will require overtime to be paid. Managers and/or Supervisors are prohibited from encouraging or soliciting an employee to request make-up time.

## **SECTION 4**

### **EMPLOYEE BENEFITS**

#### **4.1 BOARD MEMBER BENEFITS**

The AA may establish and be responsible for health (medical, dental, and vision), and life (life and accidental death and dismemberment) insurance benefits for Board Members at a cost not to exceed the amount established by the Board in the annual budget.

##### **4.1A BENEFITS ELIGIBILITY**

For Public Board Members and for Board Members who do not receive health benefits from the public entity they are elected to serve: The Board Members will have the same premium cost and the same health benefits as full-time employees paid by OCTA, which may change to reflect the current programs offered.

For Board Members who receive health benefits and/or a cash waiver from the public entity they are elected to serve: The Board Members may choose to receive the same health benefits as full-time employees, provided the Board Member pays 100 percent of the OCTA premium, which may change to reflect the current programs offered.

##### **4.1B DEFERRED COMPENSATION**

Board Members may participate in OCTA's Deferred Compensation Program.

##### **4.1C RETIREMENT PLAN**

Board Members are required to participate in the 3121 Federal Insurance Contributions Act (FICA) Alternative plan, because they are not eligible to participate in the Orange County Employee Retirement System. Board Members contribute 7.50 percent of OCTA pay. The 3121 FICA Alternative plan is required under the Omnibus Budget Reconciliation Act (OBRA) and is administered by a third party administrator.

##### **4.1D LIFE INSURANCE AND SUPPLEMENTAL LIFE INSURANCE**

Life Insurance will be provided by OCTA in the amount of \$50,000 coverage for each Board Member.

Voluntary Board Member-paid supplemental life insurance may be offered by OCTA for Board Members and/or their dependents.

#### 4.1E REIMBURSEMENT OF EXPENSES

OCTA will reimburse Board Members and former Board Members who are serving on regional boards at the direction and request of the Board of Directors for actual and necessary expenses incurred in the performance of their duties, as provided in the “Policy for Compensation, Reimbursement of Expenses and Mandatory Training for Members of the Board of Directors.”

#### 4.2 GRANDFATHERED BENEFITS

The following exceptions to policy as otherwise outlined in this PSR result from the consolidation of the Orange County Transit District and the Orange County Transportation Commission.

The following benefits apply only to those employees who were employees of the Orange County Transportation Commission, as of June 19, 1991.

#### 4.2A GRANDFATHERED LEAVE

Each non-exempt employee covered under this section will be entitled to 16 hours of paid Administrative Leave per fiscal year. Each exempt employee covered under this section will be entitled to 32 hours of paid Administrative Leave per fiscal year.

Approval will be by the AA. Any unused Administrative Leave for the current fiscal year will be paid to the employee in the event of separation or retirement. The maximum accrual amount for non-exempt employees will be 24 hours. The maximum accrual amount for exempt employees will be 48 hours.

#### 4.2B GRANDFATHERED RETIREMENT

An employee covered under this section may continue to participate in the California Public Employees’ Retirement System and shall be governed by its rules and regulations.

Commencing January 1, 2017, employees shall pay 100 percent of the employee contribution.

#### 4.3 HEALTH, LIFE, AND DISABILITY INSURANCE BENEFITS

#### 4.3A HEALTH INSURANCE

The AA will offer health (medical, dental, and vision), life (life and accidental death and dismemberment), and disability insurance programs for all full-time and part-time employees as determined by the Board.



Employees who are scheduled to work a minimum of 20 hours per week or more and meet the criteria under the Affordable Care Act, are eligible to participate in the health, life and disability insurance programs on the first day of the month following 30 days of employment. Employees may be required to pay a portion of the premiums. Part-time employees will pay the same portion of the premiums as full-time employees.

Administrative and Transportation Communications International Union (TCU) employees who elect to waive an OCTA medical, dental and vision plan are eligible to receive an employer contribution of \$92.31 per pay period into a 401(a) deferred compensation plan, not to exceed the annual IRS maximum contribution. The employee must provide verification annually from the employer or the insurance carrier which verifies proof of other medical plan coverage in order to receive a contribution into the 401(a) plan. An employee who is a spouse, child or any other dependent of an OCTA Administrative/TCU employee is not eligible if he/she is covered under an OCTA medical, dental or vision plan.

#### 4.3B LIFE INSURANCE AND SUPPLEMENTAL LIFE INSURANCE

Life insurance will be provided by OCTA to full-time and part-time employees in the amount of two times the annual salary. Voluntary employee-paid supplemental life insurance may be offered by OCTA for employees and/or eligible dependents (IRS).

#### 4.3C DISABILITY INSURANCE

Employer-paid short-term disability and long-term disability insurance programs will be provided to full-time and part-time employees. Coordination of state provided disability payments may be required.

#### 4.3D SURVIVOR BENEFIT

When OCTA is notified of the death of an employee, his/her dependents who were previously enrolled dependents, may be eligible for coverage in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). If eligible for COBRA, OCTA will reimburse the cost of the OCTA-sponsored health benefit plan premium to the dependent(s) for a maximum of three months.

#### 4.3E COBRA AND CONTINUED COVERAGE

All full-time or part-time employees separating employment may elect continuing health (medical, dental, and vision) insurance pursuant to the governing provisions of the program in which they are enrolled. The employee will be required to pay the premium for the coverage selected in accordance with the provisions of COBRA, except as provided in the "Layoff and Workforce Reduction Policy". Health coverage ends the last day of the month in which the employee separates employment.

#### 4.3F CONTINUATION OF HEALTH BENEFITS FOR RETIREES

An employee who retires from OCTA is eligible to continue medical, dental, and/or vision coverage, provided the retiree continues to pay 100 percent of the full monthly premium. Current group health benefits may continue up to age 65.

An employee who defers retirement ~~or receives disability retirement~~ is not eligible for this benefit.

For additional information regarding retiree health benefits that may apply under the Additional Retiree Benefit Account Plan (ARBA) please refer to section 4.7C.

#### 4.4 MISCELLANEOUS BENEFITS

##### 4.4A EMPLOYEE RECREATION ASSOCIATION

The AA will be responsible for monitoring the Employee Recreation Association (ERA), which is administered by the Human Resources Department. The ERA is a council of 11 members who meet to discuss various employee recognition activities and events and how best to fund them.

##### 4.4B EMPLOYEE USE OF TRANSPORTATION SYSTEM

The AA has established policies and procedures regarding employees and eligible dependents' free transportation on OCTA's transportation services. See the "Employee Identification Cards and Dependent Transportation Passes Policy".

##### 4.4C MILEAGE REIMBURSEMENT

An employee will be reimbursed for use of his/her private automobile for official business of OCTA at the rate established by the Internal Revenue Service (IRS).

The AA will determine what constitutes official OCTA business, which would require use of an employee's private automobile. Local travel for mileage reimbursement purposes will include travel in Los Angeles, Orange, San Bernardino, Riverside, and San Diego counties. Executive employees are referenced in section 4.6A.

##### 4.4D OUT-OF-POCKET EXPENSES

OCTA will reimburse its employees for out-of-pocket expenses incurred while conducting official business for OCTA as provided in the policies regarding travel and conference expenses.

#### 4.4E PROFESSIONAL LICENSES AND CERTIFICATES

OCTA will pay for any work-related professional licenses, certificates, or renewal fees as approved by the AA.

#### 4.4F RECOGNITION AND AWARD PROGRAMS

The AA may establish and maintain an employee service award program and employee appreciation programs to provide recognition to employees for performance, continuous service, safety, and commitment to public transportation.

### 4.5 LEAVES OF ABSENCE

Leaves of absence may be granted by the AA to employees with or without pay. This policy will be interpreted and applied in accordance with all applicable state and federal laws. For a detailed description of the various leaves of absence, please refer to the "Leave of Absence Policy" and the "Military Leave Policy."

#### 4.5A PERSONAL LEAVE

When requested, the AA may grant a personal leave of absence without pay for an initial period of 30 calendar days and extensions may be granted to a maximum of six months from the beginning date of the personal leave.

A personal leave of absence may be granted once all accrued/benefit hours have been exhausted, including vacation hours, sick hours, and Personal Paid Holiday (PPH) hours.

If the personal leave of absence extends for 30 calendar days or less, an employee will be returned to his/her original classification. If the personal leave of absence extends for more than 30 calendar days, OCTA will not guarantee the employee's classification or employment with OCTA, but will attempt to reinstate the employee to a like or similar classification.

During the initial 30 calendar \_days following the date on which the personal leave of absence begins, OCTA will continue to offer life insurance, medical, dental and vision benefits at the same employee coverage cost and the same contribution for dependent premiums at the current applicable rate. To continue health coverage, employees on an unpaid status are responsible for submitting health insurance contributions, at the same rate and frequency as active employees. Failure to pay the employee's contribution may result in a lapse of coverage.

After the initial 30-day period, the employee will be required to remit in advance each month, 100 percent of the monthly cost of the group insurance premiums incurred during the remainder of the leave of absence in order to continue group insurance. Non-receipt of premium reimbursements will result in the termination of the employee's insurance.

If an employee returns to work from a personal leave of absence, the employee will be responsible for 100 percent of the monthly cost of the group insurance premiums for the month in which the employee returns to work.

## **4.6 REIMBURSEMENTS AND ALLOWANCES**

### **4.6A AUTOMOBILE ALLOWANCE AND ASSIGNMENT OF AUTOMOBILES**

OCTA may elect to provide both an assigned automobile and all related expenses, or to provide a monthly automobile allowance to Executive employees. The monthly allowance will be in lieu of the IRS standard mileage reimbursement rate that would otherwise apply in the use of his/her personal automobile in the performance of his/her duties. An Executive employee may not receive the automobile allowance for any month during which the employee's driver license has expired, been revoked, or suspended for a moving violation while operating an automobile.

The automobile allowance will be in the same amount as is provided to the County of Orange managers at the department head or agency head level as determined by the Orange County Board of Supervisors.

OCTA may assign vehicles on a 24-hour basis to designated positions, in accordance with the "Non-Revenue Vehicle Fleet Policy". Each OCTA operating base and administrative facility will be assigned a pool of non-revenue vehicles for authorized OCTA business. Special purpose vehicles will be assigned to a division based on business need as referenced in the "Non-Revenue Vehicle Fleet Policy".

### **4.6B EDUCATIONAL REIMBURSEMENT PROGRAM**

OCTA may provide an Educational Reimbursement Program to reimburse a full-time employee for reasonable educational expenses for work-related courses. The AA will be responsible for developing, administering, and maintaining the program.

As authorized by the "Educational Reimbursement Plan Policy", a full-time employee who satisfactorily completed approved, work-related educational courses as defined in the Educational Reimbursement Program Policy, will be reimbursed in full for eligible expenses up to a maximum of \$3,675 per calendar year. Increases to the tuition reimbursement amount will be indexed to California State University system tuition rates not to exceed the IRS tax-free amount (currently \$5250). If an employee separates

employment, or gives notice of separation prior to completion of the course, no reimbursement will be made. Newly hired employees may be eligible for educational reimbursement after six months of employment.

#### 4.6C TABLET PURCHASE REIMBURSEMENT PROGRAM

OCTA may reimburse an employee for up to \$400 or 50 percent, whichever is less, of actual expenditures for the cost of a personal tablet as authorized by the "Business Equipment Use Policy".

An employee may not receive more than \$400 during any 24-month period. Newly hired employees may be eligible for tablet reimbursement after six months of employment.

#### 4.6D UNIFORMS

An Administrative employee who is required to wear a uniform on the job will be granted an allowance up to \$500 per year for the purchase of uniforms at OCTA's authorized uniform supplier. Uniform purchases must comply with the guidelines established by the appropriate division.

#### 4.6E SAFETY SHOES

Executive Directors are authorized to approve the cost of a pair of work-required safety shoes approved by the employee's manager.

### 4.7 RETIREMENT AND DEFERRED COMPENSATION

#### 4.7A DEFERRED COMPENSATION

OCTA may provide all full-time, part-time, and extra-help employees, including those covered by a collective bargaining agreement, with a deferred compensation program. The Deferred Compensation program is a benefit available to eligible employees to help them to save for retirement. The AA will be responsible for the establishment and administration of this program, utilizing the services of an outside administrator. This service will be provided at no cost to OCTA.

The Deferred Compensation Program is overseen by the Deferred Compensation Plan Committee. The Charter of the Deferred Compensation Plan Committee for the OCTA Retirement Plan Program constitutes the articles governing the operation of the committee. The Authority has delegated to the CEO the responsibility of determining the committee members which comprise the Deferred Compensation Plan Committee, as well as the duties and responsibilities of the committee members.

Enrollment in this program will be offered to employees on a voluntary basis, unless mandated by state or federal law. Employee contributions to the program will be made by a payroll deduction. The CEO may authorize OCTA to pay all or part of the employee contribution for designated classes of employees.

Administrative employees will receive OCTA-paid matching contributions to 401 (a) plans based on years of service as set forth below, provided employees are making contributions of at least that amount to the OCTA 457 (b) plan:

Years of Service	Percent of Base Pay
New Hire <u>but less than 5</u>	1%
<u>At the Beginning of Year 5 but less than 10</u>	2%
<u>At the beginning of Year 10 or more</u>	3%

In addition to the above scale, employees in Salary Grade V and above will receive an employer-paid matching contribution of up to two percent of base salary to the 401 (a) plan upon hire or promotion, provided employees are making contributions of at least that amount to the OCTA 457(b) plan.

#### 4.7B RETIREMENT

All full-time and part-time employees of OCTA will participate in the Orange County Employees Retirement System (OCERS) and will be governed by its rules and regulations. All employees shall pay 100 percent of the OCERS employee contribution rate each pay period.

#### 4.7C ADDITIONAL RETIREE BENEFIT ACCOUNT PLAN

An employee who retires from OCTA after January 1, 1995 who is in good standing with OCTA may be eligible for a benefit under the Additional Retiree Benefit Account Plan (ARBA). The retiring employee is eligible if the following conditions are met:

- at least ten years of service and at least 50 years of age at retirement, and
- receives a retirement benefit under OCERS within 30 days from the date of separation.

The benefit amount represents \$10.00 per month, per year of service, not to exceed a monthly benefit of \$150.00

OCTA reserves the right to modify or terminate this plan at any time by action of the Board. Administration of the ARBA Plan will be in accordance with the plan document.

Exceptions to the above policy resulting from the consolidation of the Orange County Transit District and the Orange County Transportation Commission are addressed in Grandfathered Benefits referenced in section 4.2.

## **4.8 TIME OFF BENEFITS**

### **4.8A TIME OFF ACCRUALS**

All paid time-off benefits will accrue during a leave of absence for only the period during which the employee is paid. An employee on unpaid leave of absence does not earn service credit for purposes of retirement benefits. An employee who returns to work from a leave of absence retains all accumulated service credit. Service credit for retirement benefits will be based on the specifications of the retirement system.

### **4.8B BEREAVEMENT LEAVE**

In accordance with the "Bereavement Leave Policy", a full-time or part-time employee will be granted paid bereavement leave for time actually lost, up to three regularly-scheduled workdays, upon the death of an immediate family member.

Immediate family member includes: spouse, parent, child, brother, sister, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepchild, stepparent, stepbrother, stepsister, grandparent, grandchild, legal guardian/ward, or registered domestic partner. Bereavement leave may be granted for each occurrence.

An eligible employee who travels outside the state of California or outside a 350-mile radius from the OCTA Headquarters following the death of an immediate family member, will be granted up to five days paid bereavement leave.

The paid bereavement leave will not be chargeable to sick leave or vacation. The AA will authorize such absence from work.

Additional leave, if required, to make arrangements and/or attend the funeral, cremation, or memorial service of an immediate family member may be approved by the AA and will be charged against accrued sick or vacation leave.

### **4.8C CATASTROPHIC LEAVE DONATIONS**

Employees may elect to donate accrued sick and/or vacation leave for use by an employee who has met the eligibility requirements under the Catastrophic Leave policy. For a detailed description, please refer to the "Catastrophic Leave Donation Policy."

#### 4.8D HOLIDAYS AND PERSONAL PAID HOLIDAYS

OCTA will observe 12 paid holidays consisting of designated holidays and PPHs as determined by the CEO.

A full-time, non-exempt employee will receive the equivalent of 12 days of holiday pay at his/her regular rate during the calendar year. A full-time non-exempt employee who works an alternative work schedule will receive holiday pay for each of the above holidays based on his/her normally scheduled workday.

When a holiday falls on a Saturday, the previous day will be observed as the holiday, and when a holiday falls on a Sunday, the next day will be observed as the holiday, unless otherwise designated by the CEO. When a holiday falls on an employee's scheduled day off, either the previous working day or the next scheduled working day will be observed by the employee as the holiday.

A full-time or part-time non-exempt employee who is required to work on a holiday will be paid at 1-1/2 times his/her regular hourly rate for all hours worked in addition to pay for his/her regularly-scheduled workday. An exempt employee will receive no premium pay for work on a scheduled OCTA holiday.

A full-time, exempt employee will receive holiday pay for each of the above holidays and will be paid based on his/her normally scheduled workday.

All part-time employees will receive holiday pay for each holiday at his/her regular rate on a pro-rated basis.

PPHs are taken at an employee's discretion following supervisory approval. An employee will be paid for any unused PPHs for the current calendar year in the event of separation or retirement. The maximum number of PPHs that an employee may accrue will be two days over the current calendar year's entitlement.

#### 4.8E JURY DUTY

A full-time or part-time employee who is called for jury duty or for examination for jury duty will receive compensation at his/her regular rate of pay for those days that coincide with the employee's regularly-scheduled workdays.

Full-time and part-time employees are not eligible to receive additional compensation from the court system.



#### 4.8F SICK LEAVE – FULL-TIME AND PART-TIME EMPLOYEES

OCTA provides a plan for full-time and part-time employees to accrue sick leave.

Sick leave may be used for an absence from employment for any of the following reasons:

- the employee is physically or mentally unable to perform his/her duties due to illness, injury, or medical condition of the employee;
- the absence is for the purpose of obtaining professional diagnosis or treatment for a medical condition of the employee;
- the employee is a victim of domestic abuse, sexual assault and/or stalking; and
- the absence is to care for a qualified family member. A qualified family member is defined as a spouse, registered domestic partner, parent, child, grandparent, grandchild, or sibling.

An employee will accrue sick leave with pay for each paid hour in a regularly scheduled workweek at the rates as provided in the following table:

Years of Service	Accrual Rates	Approximate Accrual
Less than 3 years	.0347 Hours	9 days per year
3 years or more	.0462 Hours	12 days per year

Sick leave will be paid consistent with an employee's regularly scheduled workday. Accrued sick leave will be added to the employee's sick leave accumulation account upon the completion of the pay period, with no credit to be applied during the progress of the pay period or for a fraction of the pay period during which an employee separates service.

An employee who separates from OCTA with ten years or more of continuous service and who is in good standing with OCTA will receive payment of any earned but unused sick leave up to a maximum of 160 hours.

Upon the death of an employee, the employee's estate will be paid 100 percent of the employee's unused or unpaid sick leave.

Upon retirement from OCTA, provided the employee has ten years or more of continuous service and is in good standing with OCTA, the employee will be paid a maximum of 240 hours of his/her unused sick leave. An employee is considered retired if he/she begins receiving a retirement benefit from OCERS at the time of his/her separation. This benefit does not apply to deferred retirement.

Upon separation from OCTA due to layoff, all unused or unpaid sick leave will be paid to the affected employee.

An employee, who is injured on the job, resulting in loss of time, will be paid for the balance of the assignment on the day of injury at the regular rate of pay. The employee will also be paid for the time lost during the waiting period (first three days following date of injury, for which no Workers' Compensation benefits are provided). This payment will be at benefit rates provided under the Workers' Compensation Act. Payments under this section will not be charged against the employee's accumulated sick leave. Vacation and sick leave accruals will continue during the three-day period and the employee will be credited as if he/she had worked his/her regularly scheduled hours each day.

For group insurance purposes only, time lost due to an on-the-job injury will not be considered an unpaid leave of absence. OCTA will continue to maintain and pay for the employee's group health coverage at the same level as active employees. To continue health coverage, an employee will be responsible for submitting health insurance contributions at the same rate and frequency as active employees. Failure to pay the employee's contribution may result in a lapse of coverage.

#### Extra-Help Employees and Interns

OCTA provides a plan for extra-help employees and interns to accrue sick leave. The employee will be eligible to use their sick leave on the 90<sup>th</sup> day of employment.

Sick leave may be used for an absence from employment for any of the following reasons:

- the employee is physically or mentally unable to perform his/her duties due to illness, injury or medical condition of the employee;
- the employee is a victim of domestic violence, sexual assault, and/or stalking;
- the absence is to care for a qualified family member. A qualified family member is defined as a spouse, registered domestic partner, parent, child, grandparent, grandchild, or sibling.

An employee will accrue sick leave with pay for each paid hour in a regularly scheduled workweek at the rate as provided in the following table:

Accrual Rate	Approximate Accrual
.0334 Hours	3 days per year

#### 4.8G SICK LEAVE SELLBACK

An employee who has accumulated sick leave in excess of 120 hours, as of the close of the first pay period ending in November, may choose to retain all unused accumulated

sick leave and continue to accrue sick leave or to receive a single payment at his/her current rate of pay for any amount in excess of 120 hours. If the employee elects to receive payment, it will be paid no later than the pay date of the final payroll of that year.

#### 4.8H VACATION

OCTA provides vacation leave with pay for full-time and part-time employees. Vacation leave is differentiated from other types of leave because it is intended for the rest, relaxation, and renewal of employees.

Accrued vacation leave will be applied to the employee's vacation accumulation account only upon completion of each pay period, except when an employee separates employment.

Upon separation, all unused vacation leave accrued through the employee's separation date will be paid.

Upon hire, An employee with less than two years of service will earn ~~.0385~~ .0577 hours of vacation leave for each straight time hour of pay in a regularly scheduled workweek, unless otherwise approved by the AA and authorized by the Department Manager, Human Resources.

Accrual rates change beginning with the pay period following the pay period that begins the next year of service.

The maximum allowable accrued vacation leave at any time for full-time or part-time employees is listed below as follows:

At the Beginning of Year:	The Employee Shall Earn:	To a Maximum Per Year of:	Maximum Accrued Vacation Leave
<u>0 through year 2</u>	<u>.0577 hours</u>	<u>120 hours</u>	<u>240 hours</u>
<u>3 through year 4</u>	<u>.0577 hours</u>	<u>120 hours</u>	<u>300 hours</u>
<del>35</del> <u>through year 9</u>	<del>.0577</del> <u>.0770</u> hours-	<del>160</del> <u>200</u> hours	<u>300 hours</u>
<u>10 through year 14</u>	<del>.0770</del> <u>.0962</u> hours-	<del>200</del> <u>216</u> hours	<u>390 hours</u>
<u>15 through year 18</u>	<del>.0808</del> <u>.1039</u> hours-	<del>216</del> <u>240</u> hours	<u>390 hours</u>
<u>16</u>	<del>.0847 hrs.</del>	<u>176</u>	
<u>17</u>	<del>.0885 hrs.</del>	<u>184</u>	
<u>18</u>	<del>.0924 hrs.</del>	<u>192</u>	
<u>19 or more</u>	<del>.0962</del> <u>.1154</u> hours-	<del>240</del> <u>200</u> hours	<u>440 hours</u>

~~The maximum allowable accrued vacation leave at any time for full time or part time employees is as follows:~~

An employee will not accrue vacation leave in excess of the maximum amount unless authorized by the CEO. The CEO is exempt from a maximum accrual. Vacations will be scheduled consistent with efficient OCTA operations.

#### 4.8I VACATION SELLBACK

An employee has the option of selling back up to 200 hours of vacation pay each calendar year for accrued but unused vacation. An employee must use at least 40 hours of vacation during the previous 12 months before exercising the sellback option.

The sellback option may be exercised twice in any given calendar year and may not exceed 200 hours.

Under unusual circumstances involving verifiable emergencies, the AA may authorize a cash value payment to an employee for an amount up to the total amount of accrued vacation.

An employee separating from OCTA will be paid, in a lump sum payment, for all unused vacation leave accrued through his/her termination date at his/her current rate of pay.

## **SECTION 5 COMPENSATION**

### **5.1 COMPENSATION PHILOSOPHY**

OCTA's objective is to provide competitive wages based on the market value for comparable work. Human Resources strives to administer the compensation program in a flexible but consistent manner. The purpose of the compensation program is to attract, retain, and motivate employees.

Employees are recognized for their contributions through performance-based merit increases.

#### **5.1A SALARY RESOLUTION**

The purpose of the Salary Resolution is to:

- attract and retain a workforce dedicated to excellence, thereby ensuring OCTA's ability to meet the present and future business objectives of the organization;
- maintain a salary program that will give maximum incentive to real accomplishments and compensate individuals on the basis of merit without discrimination, while providing necessary administrative control of salary costs; and
- provide salary structures that are internally equitable and externally competitive.

#### **5.1B SALARY STRUCTURE**

The Salary Structure is designed to provide:

- salary grade ranges for classifications based upon the scope and level of responsibility of work performed in comparison to other work performed within OCTA and in comparison to the external market; and
- salaries paid to employees that reflect the level of responsibilities of the classification and the performance of the individual.

### **5.2 ADMINISTRATION OF COMPENSATION**

The AA is responsible for the establishment of definitive guidelines for adjusting individual salaries and salary ranges. The development and administration of these guidelines may be delegated to appropriate staff.

Within guidelines established by the AA, compensation adjustments may be given:

- as an increase to base pay; and
- in a lump sum payment.

The AA is authorized to adjust an incumbent's salary. The salary of each Executive employee will be determined by the CEO.

### 5.3 NEWLY HIRED/PROMOTED EMPLOYEES

An employee may be hired or promoted into a position at any salary within the range for the classification; such salary is to be determined based on individual qualifications. Approval by the Division Executive Director is required for starting salaries at or above the midpoint of the salary grade for external hires. Approval by the CEO is required for starting salaries at or above the midpoint of the salary grade for external hires in salary grade V or for employee salary increases over ten percent. All promotions and salary increases must have an effective date that is the first day of a pay period.

For new hires, after six months of employment, the employee's performance will be evaluated. ~~and the employee may be eligible for an increase based on the employee's performance level.~~

The performance of promoted employees may be evaluated after six months, as determined by the hiring manager prior to the job offer. The six-month review date is calculated from the beginning of the pay period in which they were promoted. ~~At the end of six months, the promoted employee may be eligible for an increase based on their performance. All promotions and salary increases must have an effective date that is the first day of a pay period.~~

Subsequent performance reviews will be conducted annually on a common review date and merit increases may be authorized at that time.

### 5.4 RECLASSIFICATIONS

When a position is changed to a different classification in a higher salary grade, a lower salary grade, or in the same salary grade, it will be considered a reclassification. This action is based on substantial changes in the kind, difficulty, and/or responsibility level of the duties performed.

Any employee in a position that is reclassified to a higher salary grade will be paid at least the minimum of the new salary grade. An employee in a position that is reclassified to a lower salary grade may have his/her salary reduced to the maximum of the new salary grade or with approval of the AA, may retain his/her salary paid prior to the reclassification.

## 5.5 CLASSIFICATION TITLES

All filled positions must have classification titles that are included in the PSR. The CEO or the Board may authorize the addition of new classification titles to the PSR and assign or authorize changes to classification salary grade assignments at any time during the year.

## 5.6 MERIT ADJUSTMENTS

An employee may receive a merit increase based on his/her performance evaluation rating at the time of the common review unless the overall rating is "Does Not Meet Expectations."

For fiscal year ~~2018-19~~2019-20, the total dollar amount of all merit increases granted pursuant to the provisions above shall not exceed four percent of the total budgeted salaries for administrative positions authorized by the Board.

Individual merit increases may vary in amount depending on performance.

An employee's performance may be reviewed at any time during the year as appropriate, but his/her salary may not be adjusted other than as provided in this PSR.

## 5.7 SPECIAL PERFORMANCE AWARDS

The AA may authorize special performance awards for full-time and part-time employees based on individual employee performance. Each award will be a single lump sum payment and will not increase an employee's base salary. Employees who have not completed six months of employment, are not eligible to receive a Special Performance Award. An employee may not receive over 6 percent of their total salary in Special Performance Awards per fiscal year.

For fiscal year ~~2018-19~~2019-20, the total dollar amount for all special performance awards granted pursuant to the provisions above shall not exceed ~~four~~three percent of the total budgeted salaries for positions authorized by the Board.

## 5.8 TEMPORARY ASSIGNMENTS

When an employee is temporarily assigned duties of a different position with the same or higher salary grade, the employee's salary may be increased by an amount not to exceed five percent per salary grade for the difference between the employee's current classification and the temporary assignment. Such increases may be made only in those instances where the assignment will last at least 30 days and will not, in any event, be paid for a period in excess of 180 days, without written authorization by the CEO. Temporary increases must be effective the first day of a pay period.

## 5.9 EQUITY ADJUSTMENTS

The AA is authorized to adjust an incumbent's base salary to resolve a significant salary disparity manifested by internal salary compression, external market pressure(s), or both, whereby the individual is no longer appropriately compensated and a base salary adjustment is appropriate.

Equity adjustments should be used sparingly and should not be done in lieu of or in combination with, a promotion, reclassification, transfer, or merit adjustment. The types of situations in which an equity adjustment is appropriate include, but are not limited to:

- a. retention of critical staff;
- b. salary compression issues;
- c. impact of new hires whose hiring rate exceeds those of current staff;
- d. offer from another employer;
- e. assignment of more complex duties that do not meet the criteria for reclassification; and
- f. equity with peers in the same classification with similar education and experience levels.

Equity adjustments may not increase an incumbent's salary outside the specified salary range. Additionally, equity adjustments do not affect any established merit pool approved by the Board.

Equity adjustments may only be approved by the CEO.



## SALARY GRADE STRUCTURE

Grade	Period	Minimum	Midpoint	Maximum
C	Hourly	<del>14.00</del> <u>15.00</u>	<del>15.00</del> <u>16.00</u>	<del>17.00</del> <u>18.00</u>
	Intern			

Grade	Period	Minimum	Midpoint	Maximum
F	Hourly	<del>17.47</del> <u>17.97</u>	<del>21.09</del> <u>21.59</u>	<del>24.70</del> <u>25.20</u>
	Monthly	<del>3,028.13</del> <u>3,114.80</u>	<del>3,655.60</del> <u>3,741.40</u>	<del>4,281.33</del> <u>4,368.00</u>
	Annual	<del>36,337.60</del> <u>37,377.60</u>	<del>43,867.20</del> <u>44,896.80</u>	<del>51,376.00</del> <u>52,416.00</u>
	General Services Specialist, Assistant Office Specialist, Assistant On-Board Evaluator			

Grade	Period	Minimum	Midpoint	Maximum
G	Hourly	<del>18.47</del> <u>19.00</u>	<del>22.39</del> <u>22.92</u>	<del>26.31</del> <u>26.84</u>
	Monthly	<del>3,201.47</del> <u>3,293.34</u>	<del>3,880.93</del> <u>3,972.81</u>	<del>4,560.40</del> <u>4,652.27</u>
	Annual	<del>38,417.60</del> <u>39,520.00</u>	<del>46,571.20</del> <u>47,673.60</u>	<del>54,724.80</del> <u>55,827.20</u>
	Customer Relations Representative <del>Schedule Checker</del>			

Grade	Period	Minimum	Midpoint	Maximum
H	Hourly	<del>19.65</del> <u>20.22</u>	<del>23.89</del> <u>24.46</u>	<del>28.12</del> <u>28.69</u>
	Monthly	<del>3,406.00</del> <u>3,504.80</u>	<del>4,140.93</del> <u>4,238.87</u>	<del>4,874.13</del> <u>4,972.94</u>
	Annual	<del>40,872.00</del> <u>42,057.60</u>	<del>49,691.20</del> <u>50,866.40</u>	<del>58,489.60</del> <u>59,675.20</u>
	Accounting Specialist, Associate General Services Specialist Office Specialist <del>Schedule Checker, Senior</del> <del>Schedule Checker</del>			

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Grade	Period	Minimum	Midpoint	Maximum
J	Hourly	<u>20,822.43</u>	<u>25,422.03</u>	<u>30,023.63</u>
	Monthly	<u>3,608,803,714.54</u>	<u>4,406,134,511.87</u>	<u>5,203,475,309.20</u>
	Annual	<u>43,305,6044,574.40</u>	<u>52,873,6054,142.40</u>	<u>62,441,6063,710.40</u>
Customer Relations Representative, Senior Digital/Reprographic Specialist General Services Specialist, Senior Marketing Specialist, Assistant Office Specialist, Senior <del>Schedule Analyst, Associate</del> <del>Schedule Checker, Senior</del> Warranty Coordinator, Associate				

Grade	Period	Minimum	Midpoint	Maximum
K	Hourly	<u>22,192.84</u>	<u>27,202.85</u>	<u>32,213.86</u>
	Monthly	<u>3,846,273,958.94</u>	<u>4,714,674,827.34</u>	<u>5,583,075,695.74</u>
	Annual	<u>46,155,2047,507.20</u>	<u>56,576,0057,928.00</u>	<u>66,996.80</u> <u>68,348.80</u>
Accounting Specialist Asset Management Administrator Buyer, Associate Digital/Reprographic Specialist, Senior Grants Technician Help Desk Technician, Associate HR Assistant				

Grade	Period	Minimum	Midpoint	Maximum
L	Hourly	<u>23,992.70</u>	<u>29,573.28</u>	<u>35,143.85</u>
	Monthly	<u>4,158,274,281.34</u>	<u>5,125,475,247.67</u>	<u>6,090,936,214.00</u>
	Annual	<u>49,899,2051,376.00</u>	<u>61,505,6062,972.00</u>	<u>73,091,2074,568.00</u>
	Accounting Specialist, Senior			
	Administrative Specialist			
	Benefits Analyst, Associate			
	Board Specialist			
	Business Unit Analyst, Associate			
	Claims Representative, Associate			
	Code Administrator			
	Communications Specialist, Associate			
	Community Relations Specialist, Associate			
	Contract Administrator, Associate			
	Creative Services Specialist, Associate			
	Customer Relations Specialist, Associate			
	Executive Assistant I			
	External Affairs Administrator			
	Fleet Analyst, Associate			
	Health, Safety & Compliance Specialist, Associate			
	Help Desk Technician			
	Human Resources Representative, Associate			
	Intranet/Multimedia Specialist, Associate			
	LOSSAN Marketing Specialist, Associate			
	Marketing Specialist, Associate			
	Records Administrator			
	<del>Schedule Analyst</del>			
	<del>Schedule Analyst, Associate</del>			
	Service Planning Analyst, Associate			
	Stops and Zones Analyst, Associate			
	Stops and Zones Planner, Associate			
	Section Supervisor I			
	Talent <del>Acquisition</del> Specialist, Associate			
	Transportation Funding Specialist			
	Warranty Coordinator			
	Web Data Analyst, Associate			

Grade	Period	Minimum	Midpoint	Maximum
M	Hourly	<del>26,352.13</del>	<del>32,483.26</del>	<del>38,603.38</del>
	Monthly	<del>4,567.334,702.54</del>	<del>5,629.875,764.21</del>	<del>6,690.676,825.87</del>
	Annual	<del>54,808.0056,430.40</del>	<del>67,558.4069,170.40</del>	<del>80,288.0081,910.40</del>
	Accountant, Associate			
	Business Systems Analyst, Associate			
	Business Unit Analyst			
	Buyer			
	Claims Representative			
	<del>Coach Operations Instructor</del>			
	Code Administrator, Senior			
	Communications Specialist			
	Community Relations Specialist			
	Compensation Analyst, Associate			
	Creative Services Specialist			
	Customer Relations Specialist			
	Desktop Support Technician, Associate			
	Employee Programs Specialist			
	Executive Assistant II			
	External Affairs Administrator, Senior			
	Financial Analyst, Associate			
	Help Desk Technician, Senior			
	Internal Auditor, Associate			
	Intranet/Multimedia Specialist			
	Learning and Development Administrator, Associate			
	LOSSAN Marketing Specialist			
	Marketing Specialist			
	Payroll Administrator			
	Program Management Analyst, Associate			
	Programmer Analyst, Associate			
	Rail Maintenance-of-Way Administrator			
	Records Administrator, Senior			
	Section Supervisor II			
	Stops and Zones Analyst			
	Stops and Zones Planner			
	Warranty Coordinator, Senior			
	Web Data Analyst			

Grade	Period	Minimum	Midpoint	Maximum
N	Hourly	<del>29,002</del> <u>29,85</u>	<del>35,753</del> <u>36,60</u>	<del>42,494</del> <u>3,34</u>
	Monthly	<del>5,026,675</del> <u>174,00</u>	<del>6,196,676</del> <u>343,14</u>	<del>7,364,937</del> <u>512,27</u>
	Annual	<del>60,320,006</del> <u>2,088,00</u>	<del>74,360,007</del> <u>6,117,60</u>	<del>88,379,209</del> <u>20,147,20</u>
	Accountant			
	Benefits Analyst			
	Bus Operations Supervisor			
	Business Relations Administrator			
	Business Unit Analyst, Senior			
	Clerk of the Board Assistant			
	Compensation Analyst			
	Contract Administrator			
	Creative Services Specialist, Senior			
	Desktop Support Technician			
	Employee Relations Representative, Associate			
	Executive Assistant III			
	Field Administrator			
	Fleet Analyst			
	GIS Analyst, Associate			
	Government Relations Representative, Associate			
	HR Business Partner, Associate			
	Human Resources Representative			
	Internal Auditor			
	Intranet/Multimedia Specialist, Senior			
	IS Security Analyst, Associate			
	Learning and Development Administrator			
	LOSSAN Executive Administrative Assistant			
	Network Analyst, Associate			
	Programmer Analyst			
	Project Controls Analyst			
	Rail Maintenance-of-Way Administrator, Senior			
	Real Property Agent, Associate			
	<del>Schedule Analyst, Senior</del>			
	<del>Schedule Analyst</del>			
	Section Supervisor III			
	Security Access Administrator			
	Service Planning Analyst			
	Stops and Zones Analyst, Senior			
	Stops and Zones Planner, Senior			
	Talent <del>Acquisition</del> Specialist			
	Transportation Analyst, Associate			
	Transportation Funding Analyst, Associate			
	Transportation Modeling Analyst, Associate			
	Web Data Analyst, Senior			

Grade	Period	Minimum	Midpoint	Maximum
P	Hourly	<u>32,153.09</u>	<u>39,484.42</u>	<u>46,804.74</u>
	Monthly	<u>5,572,675,735.60</u>	<u>6,843,207,005.27</u>	<u>8,112,008,274.94</u>
	Annual	<u>66,872,006,827.20</u>	<u>82,118,408,063.20</u>	<u>97,344,009,299.20</u>
	Business Computing Solutions Specialist, Associate			
	Business Intelligence Analyst, Associate			
	Business Systems Analyst			
	Business Unit Analyst, Principal			
	Buyer, Senior			
	Civil Engineer			
	Claims Representative, Senior			
	Communications Specialist, Senior			
	Community Relations Specialist, Senior			
	Community Transportation Coordinator			
	Creative Services Specialist, Principal			
	Customer Relations Specialist, Senior			
	Desktop Support Technician, Senior			
	Employee Programs Administrator			
	Employee Relations Representative			
	Executive Assistant IV			
	Field Administrator, Senior			
	Financial Analyst			
	GIS Analyst			
	Government Relations Representative			
	Health, Safety & Environmental Compliance Specialist			
	Human Resources Business Partner			
	Human Resources Representative, Senior			
	Learning & Development Administrator, Senior			
	LOSSAN Marketing Specialist, Senior			
	Maintenance Field Administrator			
	Maintenance Resource Analyst			
	Maintenance Instructor			
	Marketing Specialist, Senior			
	Program Management Analyst			
	Real Property Agent			
	<u>Schedule Analyst, Senior</u>			
	Section Supervisor IV			
	Stops and Zones Analyst, Principal			
	Systems Software Analyst, Associate			
	Talent <u>Acquisition</u> Specialist, Senior			
	Telecommunications Administrator			
	Telecommunications Technician			
	Transportation Analyst			
	Transportation Funding Analyst			
	Transportation Modeling Analyst			
	Web Developer			
	Wellness Coordinator			
	Worker's Compensation Program Specialist			

Grade	Period	Minimum	Midpoint	Maximum
R	Hourly	<del>35,633.68</del>	<del>43,954.00</del>	<del>52,275.32</del>
	Monthly	<del>6,175,876.357.87</del>	<del>7,618,007.800.01</del>	<del>9,060,139.242.14</del>
	Annual	<del>74,110,407,294.40</del>	<del>91,416,009,600.00</del>	<del>108,721,601,905.60</del>
	Accountant, Senior			
	<del>Assistant Base Manager</del>			
	Benefits Analyst, Senior			
	Business Computing Solutions Specialist			
	Business Intelligence Analyst			
	Business Systems Analyst, Senior			
	Communications Specialist, Principal			
	Community Relations <del>Officer</del> <u>Specialist, Principal</u>			
	Community Transportation Coordinator, Senior			
	Compensation Analyst, Senior			
	Contract Administrator, Senior			
	Database Administrator			
	Employee Relations Representative, Senior			
	Executive Assistant V			
	Facilities Maintenance Supervisor			
	Financial Analyst, Senior			
	Fleet Analyst, Senior			
	GIS Analyst, Senior			
	Government Relations Representative, Senior			
	Health, Safety & Environmental Compliance Specialist, Senior			
	Human Resources Business Partner, Senior			
	Inventory Analyst			
	IS Project Manager I			
	IS Security Analyst			
	LOSSAN Accounting Analyst, Senior			
	LOSSAN Marketing Specialist, Principal			
	<u>LOSSAN Transportation Analyst, Senior</u>			
	<del>LOSSAN Marketing and Communications Officer</del>			
	Maintenance Field Administrator, Senior			
	Maintenance Instructor, Senior			
	Maintenance Planner			
	<u>Maintenance Resource Analyst, Senior</u>			
	Maintenance Supervisor			
	Marketing Specialist, Principal			
	Materials Management Planner			
	Network Analyst			
	OCTAP Administrator			
	Operations Analyst, Principal			
	Program Management Analyst, Senior			
	Project Controls Analyst, Senior			
	Project Manager I			
	Revenue Administrator			
	Section Manager I			
	Service Planning Analyst, Senior			
	<del>Strategic Communications Officer</del>			
	<u>Talent Acquisition Specialist, Principal</u>			

Transit Project Manager I  
 Transportation Analyst, Senior  
 Transportation Funding Analyst, Senior  
 Transportation Modeling Analyst, Senior  
 Web Developer, Senior

Grade	Period	Minimum	Midpoint	Maximum
S	Hourly	<u>40,024.20</u>	<u>49,350.53</u>	<u>58,675.85</u>
	Monthly	<u>6,936.80</u> <u>7,141.34</u>	<u>8,554.00</u> <u>8,757.67</u>	<u>10,169.47</u> <u>10,374.00</u>
	Annual	<u>83,241.60</u> <u>85,696.00</u>	<u>102,648.00</u> <u>105,092.00</u>	<u>122,033.60</u> <u>124,488.00</u>

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Accountant Principal  
Assistant Base Manager  
 Benefits Analyst, Principal  
 Business Computing Solutions Specialist, Senior  
 Business Intelligence Analyst, Senior  
 Business Systems Analyst, Principal  
 Civil Engineer, Senior  
 Claims Manager  
Community Transportation Coordinator, Principal  
 Compensation Analyst, Principal  
 Construction Safety Specialist, Principal  
 Data Warehouse Architect  
 Database Administrator, Senior  
 Emergency Management Specialist  
 Employee Relations Representative, Principal  
 Financial Analyst, Principal  
 Government Relations Representative, Principal  
 GIS Analyst, Principal  
 Health, Safety & Environmental Compliance Specialist, Principal  
 Internal Auditor, Senior  
 IS Project Manager II  
 Learning & Development Administrator, Principal  
LOSSAN Marketing and Communications Manager  
 LOSSAN Transportation Analyst, Principal  
 Maintenance Field Administrator, Principal  
 Network Analyst, Senior  
 Program Management Analyst, Principal  
 Programmer Analyst, Senior  
 Project Controls Analyst, Principal  
 Project Manager II  
 Real Property Agent, Senior  
 Section Manager II  
 SharePoint System Architect  
 Systems Software Analyst  
 Transit Project Manager II  
 Transportation Analyst, Principal  
 Transportation Funding Analyst, Principal  
 Transportation Modeling Analyst, Principal  
 Web Developer, Principal



Grade	Period	Minimum	Midpoint	Maximum
T	Hourly	<u>44,9746.29</u>	<u>55,3456.66</u>	<u>65,7067.02</u>
	Monthly	<u>7,794,808,023.60</u>	<u>9,592,279,820.20</u>	<u>11,388,001,616.80</u>
	Annual	<u>93,537,6096,283.20</u>	<u>115,107,20117,842.40</u>	<u>136,656,00139,401.60</u>
		Analysis Project Manager Base Manager Business Computing Solutions Specialist, Lead Civil Engineer, Principal Construction Safety Section Manager Contract Administrator, Principal Data Warehouse Architect, Senior Database Administrator, Principal Deputy Treasurer Internal Auditor, Principal IS Business Strategist IS Enterprise Architect IS Project Manager III IS Security Analyst, Senior LOSSAN Equipment and Mechanical Manager <u>Operations Project Manager</u> Project Manager III Rail Systems Safety Specialist, Principal Real Property Agent, Principal Section Manager III Service Planning Analyst, Principal <u>SMS Program Manager</u> Systems Software Analyst, Senior Transit Project Manager III		

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Grade	Period	Minimum	Midpoint	Maximum
U	Hourly	<u>51,5753.09</u>	<u>63,7865.30</u>	<u>75,9977.51</u>
	Monthly	<u>8,938,809,202.27</u>	<u>11,055,2011,318.67</u>	<u>13,171,6013,435.07</u>
	Annual	<u>107,265,60110,427.20</u>	<u>132,662,40135,824.00</u>	<u>158,059,20161,220.80</u>
		Data Warehouse Architect, Principal Internal Audit, Senior Manager LOSSAN Planning and Analysis Manager Project Manager, Senior Section Manager, Senior Strategic Plan <del>Officer</del> Administrator		

Grade	Period	Minimum	Midpoint	Maximum
V	Hourly	<u>59,866.159</u>	<u>73,067.479</u>	<u>86,268.799</u>
	Monthly	<u>10,375.7310,675.60</u>	<u>12,663.7312,963.60</u>	<u>14,951.7315,251.60</u>
	Annual	<u>124,508.80128,107.20</u>	<u>151,964.80155,563.20</u>	<u>179,420.80183,019.20</u>
Communications Manager Department Manager LOSSAN Deputy Managing Director LOSSAN Finance and Administration Manager LOSSAN Operations Compliance and Safety Manager <u>LOSSAN Program Manager</u> LOSSAN Strategic Planning and Customer Experience Manager Program Manager				

Grade	Period	Minimum	Midpoint	Maximum
W	Hourly	<u>64,876.683</u>	<u>81,398.335</u>	<u>97,909.86</u>
	Monthly	<u>11,244.1311,583.87</u>	<u>14,107.6014,446.47</u>	<u>16,969.3317,309.07</u>
	Annual	<u>134,929.60139,006.40</u>	<u>169,291.20173,357.60</u>	<u>203,632.00207,708.80</u>
Program Manager, Senior				

## GLOSSARY OF TERMS

<b>ADMINISTRATIVE EMPLOYEE</b>	Any employee of OCTA not covered by a collective bargaining agreement.
<b>APPOINTING AUTHORITY</b>	The CEO; he/she may delegate this responsibility.
<b>AT-WILL EMPLOYMENT</b>	An employee's employment status may be changed, including, but not limited to, termination of employment, by OCTA or the employee, at any time for any reason.
<b>BOARD</b>	The Board of Directors of OCTA.
<b>CATASTROPHIC LEAVE</b>	An extended leave due to an employee's own serious illness or medical condition, or that of an immediate family member where the employee is the primary caregiver, that incapacitates the employee and where the employee is expected to use up his/her entire accrued leave.
<b>CLASSIFICATION OR CLASSIFICATION TITLE</b>	The title that identifies the type of work being performed by one or more incumbents in a position.
<b>DOMESTIC PARTNER</b>	A domestic partnership is established in California when both persons file a Declaration of Domestic Partnership with the Secretary of State. A domestic partner is further defined by California's Family Code, Section 297-297.5.
<b>ELIGIBLE DEPENDENT</b>	Spouse, registered domestic partner, and dependent children up to the age 26.

<b>EQUITY INCREASE</b>	An adjustment to an employee's base salary to resolve a significant salary disparity manifested by internal salary compression, external market pressure(s), or both, whereby the individual is no longer appropriately compensated and a base salary adjustment is appropriate.
<b>EXECUTIVE EMPLOYEE</b>	An employee classified as CEO, Deputy CEO, Executive Director, Director, and General Manager.
<b>EXEMPT EMPLOYEE</b>	An employee in a position that is not covered under the provisions of the FLSA regarding minimum wage, overtime, maximum hours, and recordkeeping.
<b>EXTRA-HELP EMPLOYEE</b>	An employee hired to serve as part-time augmentation of staff in which the duty or task defined generally requires less than 20 hours of work per week and no more than 1,000 work hours within a continuous 12-month period. An extra-help employee is not eligible for employee benefits.
<b>FULL-TIME EMPLOYEE</b>	An administrative employee in a position with a normal workweek that totals at least 40 hours.
<b>INTERN</b>	An employee enrolled as a full-time student at a two- or four-year college or university pursuing a course of study that will lead to an undergraduate or graduate degree, or a recent graduate, in a field of study applicable to the hiring department's specialty. The intern provides assistance to departments by performing a variety of duties related to the intern's career field. Guidelines for extra-help employees also apply to interns.
<b>NON-EXEMPT EMPLOYEE</b>	An employee in a position that is covered under the provisions of the FLSA regarding minimum wage, overtime, maximum hours, and record keeping.
<b>PART-TIME EMPLOYEE</b>	An administrative employee in a position with a normal workweek that totals at least 20 hours but not more than 39 hours, and not more than 1040 hours annually.
<b>POSITION</b>	Full-time and part-time positions in the Board-approved fiscal year budget.
<b>PROMOTION</b>	Movement of an employee from one position to a different position in a higher salary grade through the recruitment process.

<b>PROMOTION – “IN-FAMILY”</b>	Movement of an employee through recruitment to a similar position within the same specialty or “family” series. The duties performed are similar in nature and they continue to be reviewed during the Annual Performance Review Cycle.
<b>RECLASSIFICATION</b>	When a position is changed to a different classification in a higher, lower, or the same salary grade, as a result of an evaluation process.
<b>REHIRE</b>	To employ someone who previously separated his/her employment with OCTA (normally following a voluntary resignation) without restoring prior service.
<b>REINSTATE</b>	To return, within six months, an employee, previously separated due to layoff, to active employment with OCTA and to restore prior service and benefit eligibility, with no formal break in service. Vacation, sick, and holiday hours for which the employee was paid at the time of separation are not restored. (This action is unrelated to retirement service credit).
<b>SALARY RANGE</b>	The minimum and maximum of the salary grade for a position. It is based upon the scope and responsibility of work performed in comparison with other work performed within OCTA and in comparison with the competitive labor market.
<b>TEMPORARY HELP</b>	A person acquired through a temporary help agency to perform work on a limited term basis, not an OCTA employee.
<b>TRANSFER</b>	When an employee retains the same job title and work responsibilities but is moved from one location or section/department to a different location or section/department.

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**ORANGE COUNTY TRANSPORTATION AUTHORITY LICENSING  
AND MAINTENANCE AGREEMENTS  
SOLE SOURCE LIST - FISCAL YEAR 2019/2020**

**The Standard Contracts**

<b>Vendor Name</b>	<b>Software / Hardware Product</b>	<b>Sole Source Amount</b>	<b>Budgeted FY 19/20</b>	<b>Owner</b>
Agile Access Control	Fleet Commander-Cloud based motor pool management system	\$ 40,000	\$ -	Cliff Thorne
Anderson Howard	AV Maintenance and Support	\$ 30,000	\$ 10,000	Ron Wolf
Carahsoft	Security Information and Event Management Services (SIEM)	\$ 220,000	\$ 265,000	Michael Cardoza
Ciber/Infor	Lawson Custom Interfaces & Modifications Support	\$ 55,000	\$ 54,000	Catherine Whitmore
Citrix	XenDesktop, XenApp, Access Gateway, Citrix Repeater Plug-in, Premier Support	\$ 50,000	\$ 47,710	Michael Beerer
Clever Devices	Ridecheck Plus, Replaced PCR	\$ 60,000	\$ 56,000	Catherine Whitmore
Computer SOS	Point of Sale Web Site Hosting	\$ 32,000	\$ 31,000	Catherine Whitmore
Darktrace	Security Information and Event Management Services (SIEM)	\$ 100,000	\$ -	Michael Cardoza
Dun & Bradstreet, Inc.	Business Credit Reporting	\$ 65,000	\$ -	Laura Foster
Ecointeractive	OCfundTrAcker Subscription Service	\$ 118,170	\$ 118,170	Ben Ku
Franklin Covey	Franklin Covey provides proprietary training materials and content through an All Access Pass which includes articles for managers through Jhana, Excelerators and Insights to reinforce learning, certification of trainers within the Authority, and access to all training content	\$ 25,145	\$ 24,000	Angela Sun
Giro	Map / HASTUS / Vehicle/ Crew/ Crew Opt/ Roster/ Minibus/ ATP/ Interface Program/ Geo Hastus Map/ Hastinfo/ Hastinfo - Web/DailyVehicle/DailyCrew/Bid/BidWeb/ SelfService/EPM/Bing/ plus annual hosting fees.	\$ 250,000	\$ 248,000	Catherine Whitmore
Granicus	Hosting Services for Granicus Board and Committee meeting webcasts for OCTA and LOSSAN	\$ 50,000	\$ 50,000	Catherine Whitmore
GovQA	Hosting and Maintenance for Public Records Request app	\$ 59,000	\$ 59,000	Catherine Whitmore
Halogen	Performance Management Application	\$ 125,000	\$ 125,000	Karen DeCrescenzo
Harris Insite Telecom	ITMS Fixed Radio Components	\$ 60,000	\$ 60,000	Michael Beerer
Informatica	PowerCenter SE (4-7) & Partitioning Option (4-7)	\$ 110,000	\$ 110,000	Lloyd Sullivan
ICIMS	Applicant Tracking Application	\$ 110,000	\$ 110,000	Karen DeCrescenzo
Illumio	Security Information and Event Management Services (SIEM)	\$ 50,000	\$ 40,000	Michael Cardoza
Keolis	OC Flex Application	\$ 150,000	\$ -	Lloyd Sullivan
Kronos	Workforce Connect Software & Hardware	\$ 40,000	\$ 37,800	Catherine Whitmore
Lawson Software Inc. A.K.A Infor US	Lawson HR/Payroll Software - and Lawson Business Intelligence	\$ 125,000	\$ 122,100	Catherine Whitmore
March Networks	OBVSS Maintenance and Administration Contract	\$ 1,300,000	\$ 982,000	Michael Beerer
MHC Software, Inc. AKA Safeguard	Check Printing Software, W2 and1099 Printing, ACA Reporting.	\$ 50,000	\$ 8,000	Cherie Finona and Karen DeCrescenzo
Moovel	Transit Mobile Ticketing Application	\$ 105,000	\$ 105,000	Justin Alcober

## The Standard Contracts

Vendor Name	Software / Hardware Product	Sole Source Amount	Budgeted FY 19/20	Owner
Oracle	Oracle Annual Software Support and Maintenance & Training	\$ 300,000	\$ 300,000	Michael Beerer
Palo Alto	Security Information and Event Management Services (SIEM)	\$ 160,000	\$ 125,000	Michael Cardoza
Payscale	HR contracted salary research service	\$ 30,000	\$ -	Lynn Huson
Rapid 7	Security Information and Event Management Services (SIEM)	\$ 50,000	\$ -	Michael Cardoza
Salesforce AKA ExactTarget	Proprietary Platform for Email and Text Messaging Services and Customer Relations Case Management	\$ 425,000	\$ 425,000	Jennifer O'Connor & Ryan Armstrong
Santa Catalina Conservancy	Catalina radio frequency site, and service	\$ 48,000	\$ 48,000	Barry Reynolds
SAP America, Inc. (Previously Business Objects)	Annual Maint & Support for Crystal and BO WEBI	\$ 60,000	\$ 50,000	Lloyd Sullivan
SecureWorks	Security Information and Event Management Services (SIEM)	\$ 220,000	\$ 210,000	Michael Cardoza
Snare	Security Information and Event Management Services (SIEM)	\$ 26,000	\$ 22,000	Michael Cardoza
Sprinklr	Social media management system for advertising, tracking and reporting marketing programs	\$ 53,000	\$ 53,000	Ryan Armstrong
SPX Corp.	Annual support services	\$ 70,000	\$ 69,000	Catherine Whitmore
Swiftly	Predictive Data analytics for improved real time Bus arrival information".	\$ 185,000	\$ -	Lloyd Sullivan
Talentwise	Hosted Onboarding Solution	\$ 35,000	\$ 35,000	Karen DeCrescenzo
Trapeze Software Group	Trapeze EZ Wallet, Trapeze Pass 4, IVR Confirm/Cancel & Real-time & Call back & Trip booking & Gateway & Viewpoint & Map Maker & Pass-Cert & Pass-SUS & 2 MDT-MON/MDC Software & Hardware with Map Maker and VoiceGenie, PASS-MON-SPV up to 12 Paratransit vehicles, Trapeze 14 ODB & DCC 14 Units, ViewPoint for PASS, SUS -Trip Broker Trip Licensing; PASS-MON Vehicle (MDT); PASS Trapeze User Licenses - Work Stations; Maps & Service Area Polygons; Trapeze Web - Online Booking; Trapeze Viewpoint – Dashboard.	\$ 550,000	\$ 550,000	Catherine Whitmore
Trinet	CAMMNET Support	\$ 80,000	\$ 80,000	Neal Johnson
VIA	OC Flex Application	\$ 150,000	\$ -	Lloyd Sullivan
Virtual Consulting	Crystal, Business Objects, and Java support for DataWarehouse and OTS systems. Annual maintenance and support for Qlikview licenses.	\$ 85,000	\$ 85,000	Lloyd Sullivan
Conduent (aka Xerox Corporation)	Annual Maint & Support for ITMS	\$ 520,000	\$ 500,000	Michael Beerer
XenaTech Software Integration Service LLC	Motorist Services Hosting and maintenance for Freeway Service Patrol's LATATrax / IntelliTraxx system	\$ 38,000	\$ 38,000	Patrick Sampson
Xerox Corporation	Xerox maintenance, printing equipment, software, parts and supplies	\$ 300,000	\$ 300,000	Sara Belovsky

**Subtotal \$ 6,764,315 \$ 5,552,780**

## The Standard Contracts

Vendor Name	Software / Hardware Product	Sole Source Amount	Budgeted FY 19/20	Owner
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### With Emergency Support

*(The vendors listed below have been detailed to reflect the cost of the emergency support that is required for these vendors. This support is not covered in the basic contract. It will be used for emergency support during after hours, weekends & holidays.)*

ABB/Ventyx	Ellipse Software Hosting	\$ 260,000	\$ 260,000	Catherine Whitmore
	Maintenance	\$ 270,000	\$ 250,000	
Ellipse Emergency Support	\$ 25,000	\$ 25,000		
Superion	IFAS Maintenance	\$ 121,000	\$ 121,000	Catherine Whitmore
	Ellipse Interface Support	\$ 20,000	\$ 20,000	
Coastline Consulting Services AKA CISOShare	Emergency Support. Malware.	\$ 50,000	\$ 50,000	Lloyd Sullivan
Hewlett Packard Enterprise	Hewlett-Packard Computers Maintenance	\$ 180,000	\$ 97,400	Michael Beerer
	Emergency Support	\$ 20,000	\$ 20,000	
Micro Focus	HP Data protector, etc.			Michael Beerer
Konica Minolta	Nintex, Collabware and Kofax maintenance	\$ 125,000	\$ 85,000	Lloyd Sullivan
	Emergency Support	\$ 150,000	\$ 150,000	
Microsoft AKA CompuCom	Emergency Support. Malware.	\$ 150,000	\$ 150,000	Lloyd Sullivan
Expanded Apps - VanPool Mobile Application	Mobile Application	\$ 15,000	\$ 15,000	Kris Hewkin
	Emergency Support			
<b>Subtotal</b>		<b>\$ 1,386,000</b>	<b>\$ 1,243,400</b>	
<b>Grand Total of Contracts</b>		<b>\$ 8,150,315</b>	<b>\$ 6,796,180</b>	



**METROLINK.**

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
900 Wilshire Blvd. Suite 1500 Los Angeles, CA 90017

metrolinktrains.com

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May 1, 2019

**TO:** Darrell Johnson, Chief Executive Officer, OCTA  
Darren Kettle, Executive Director, VCTC  
Anne Mayer, Executive Director, RCTC  
Phil Washington, Chief Executive Officer, Metro  
Dr. Raymond Wolfe, Executive Director, SBCTA

**FROM:** Stephanie Wiggins, Chief Executive Officer, ~~SCRRA~~ SCRRA

**SUBJECT:** SCRRA Proposed FY2019-20 Budget

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On April 26, 2019, the SCRRA Board of Directors authorized the transmittal of the SCRRA Proposed FY2019-20 (FY20) Budget to its Member Agencies for their consideration and adoption. The Board also authorized transmission of Forecast Budgets for FY21, FY22, FY23 and FY24 for Member Agency consideration and programming. Attached for your review is a copy of the April 26 board report. We are scheduled to present the FY20 Budget to the SCRRA Board for adoption on June 14, 2019.

Adoption of the annual budget provides the annual funding commitment for General Operations and the Annual Capital Program which includes investments in Rehabilitation and New Capital. Programming amounts for the fiscal years 2021 through 2024 as reflected in the four-year forecast provides more of a long-term approach for planning future year budgets that will be presented for adoption through the annual budget development process.

Thank you for your ongoing support and active participation in the development of the FY20 Proposed Budget. SCRRA staff remain available to address any questions you may have as we anticipate adoption of the budget by the SCRRA Board of Directors in June 2019. If you have comments or concerns, please do not hesitate to contact me directly at (213) 452-0258. You may also contact Ronnie Campbell, Chief Financial Officer, at (213) 452-0285.



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**TRANSMITTAL DATE:** April 22, 2019

**MEETING DATE:** April 26, 2019 **ITEM 24**

**TO:** Board of Directors

**FROM:** Stephanie Wiggins, Chief Executive Officer

**SUBJECT:** Transmittal of the Proposed Fiscal Year 2019-20 Budget and Four-Year Forecast

**Issue**

The Authority is required, under the Joint Exercise of Powers Agreement, to provide to its Member Agencies, on or before May 1 of each year, a Proposed Budget for the coming fiscal year (effective July 1, the start of the fiscal year) for individual agency consideration and approval.

**Recommendation**

It is recommended that the Board approve the transmittal of the:

- 1) Proposed Fiscal Year 2019-20 (FY20) Budget to its Member Agencies not later than May 1, for their consideration and adoption as required in the Joint Powers Agreement, and
- 2) Proposed forecast for the fiscal years 2021 through 2024 as reflected in the four-year forecast be transmitted to the Member Agencies for their consideration and programming.

**Strategic Goal Alignment**

This report aligns with the strategic goal to *maintain fiscal sustainability*. Adoption of the annual budget provides the annual funding commitment for General Operations and the Annual Capital Program which includes investments in Rehabilitation and New Capital. Programming amounts for the fiscal years 2021 through 2024 as reflected in the four-year forecast provides a more long-term approach for planning future year budgets that will be presented for adoption through the annual budget development process.

**Background**

The FY20 budget development process began in August 2018 with a Budget Kick-off Meeting attended by over 50 employees. Budget requests were compiled and submitted

by all Cost Center managers. Budget division staff subsequently analyzed and reviewed the requests with each Cost Center manager and their respective Chief in a series of one-on-one meetings. The primary purpose of the meetings was to provide justification for each line item budget amount requested taking into consideration such factors as:

- Funding at a level which will meet the goals of the Authority,
- Historic levels of spending,
- Current levels of spending,
- Known adjustments for the forthcoming year, and
- Overarching goal of safety, fiscal sustainability and operational efficiency.

These internal meetings began in October 2018 and concluded by mid-January 2019.

The FY20 Proposed Budget for Operations and the Capital Program (Rehabilitation/New Capital) was reviewed with the Technical Advisory Committee (TAC) members on December 11, 2018, and with the newly formed Member Agency Advisory Committee (MAAC) meetings on February 19, 2019, and March 15, 2019.

An overview of the FY20 Proposed Budget for Operations and Rehabilitation/New Capital (FY20 Proposed Budget) detailing the Total Request for Funding was reviewed in individual conversations with each of the Member Agency Chief Financial Officers (CFOs) and Chief Executive Officers (CEOs) during the months of February and March 2019. During these individual telephonic meetings, substantive agreement was reached on concurrence with the Operating portion of the FY20 Proposed Budget as it would be presented at the Board Workshop on March 22, 2019. General agreement was reached with most of the Member Agencies regarding the funding level for the FY20 Capital Program, and productive conversations continued the day of the Budget Workshop and several days following.

### **Foundation for FY20 Proposed Budget**

The FY20 Proposed Budget provides funding to achieve the following:

- Increase ridership and revenue, thereby reducing the reliance on operating subsidies from our Member Agencies;
  - ✓ Attracting new riders through Marketing activities, brand awareness, raising the recommendation score.
  - ✓ Retaining current riders, through the improvement of on-time performance, and train reliability, comfort and convenience.
- Continued emphasis on safe operations, with the implementation of intraoperative Positive Train Control (PTC) as the centerpiece of Metrolink's efforts;
- Increase of Farebox Revenue through advertising efforts;

- Contract Bundling to improve overall efficiencies, achieve greater accountability, and streamline contract administration.
- Enhance customer experience and loyalty through:
  - ✓ A customer loyalty program
  - ✓ Continuing improvements to the mobile ticketing application and a modernized ticket vending system;
- Invest in existing assets to maintain a state of good repair by:
  - ✓ Funding critical rehabilitation projects,
  - ✓ Improving processes to accelerate project delivery

The achievement of these goals is closely tied to maintaining our rolling-stock, equipment and structures in a state of good repair.

### **Board Budget Workshop**

At the March 22, 2019 Budget Workshop, staff presented the FY20 Proposed Budget to the Board. At the Budget Workshop, Metrolink staff provided an overview of current year accomplishments and then focused on new initiatives reflected in the FY20 Budget consistent with the CEO's vision. The vision reflects the central focus of customer-first, supported by the pillars of Safety and Security, an Integrated System, and Modernized Business Practices. At that meeting, suggestions and inquiries were brought forward:

- In the Operations Budget:
  - ✓ Staffing Needs for Government Relations
    - Based upon feedback at the Workshop, the CEO has determined that the additional Government Relations FTE request can be accommodated by repurposing an existing vacancy. Therefore, the new FTE request is withdrawn.
  - ✓ Additional New Service on the Ventura Line
    - Service was added to provide an additional round trip each Saturday from April 6, 2020 to October 5, 2020. (Only that portion April 6, 2020 through June 30, 2020 is included in the FY20 Operating Budget)
  - ✓ Revisions to the Special Trains to reallocate expense where Members wished to share costs
    - Changes in total reduced the Special Train Revenue by \$0.1m, reduced Expense by \$0.1m, making these changes Subsidy neutral.
  - ✓ Marketing Budget Needs
    - Board members inquired as to why the investment in marketing was decreasing so drastically. This was due to the one-time investment of \$3.9m in FY19, which is not included in FY20. Staff mentioned there would be some residual impacts from the marketing investment in FY20. Staff also mentioned that ridership had not increased, but that revenue was close to neutral despite a decrease in Inland Empire riders due to on-time

performance issues on the Riverside and IE-OC Lines because the marketing investment had helped to offset declines. Staff would like more time to review the continued results of the current marketing investment before requesting an additional investment. If warranted, we would bring forth as a FY20 Budget Amendment.

- In the Capital Program:
  - ✓ Substitution of the Riverside Switch for the deferral of two projects – Emergency Support Vehicles and Automatic Equipment Identification scanners and the conversion of two others to Engineering studies. This action was taken as a result of immediate on-time performance benefits of the switch.
- High Speed Rail Funding for Bookend Projects
  - ✓ Staff provided the information that total funding for High Speed Rail Bookend Projects statewide is \$1.1 billion. Of that amount, \$500 million was assigned to Southern California. Two of the projects that were included in the MOU between a coalition of Southern California agencies and the High Speed Rail Authority (the Southern California MOU) were funded with the \$500 million – \$76.7M was assigned to the Rosecrans-Marquardt Grade Separation (which supports more capacity for the Orange County and 91/PV Lines) and \$423.3m was assigned to the Link US project which has a systemwide relationship to six of seven Metrolink lines and will enable operation of lines to be linked at Union Station with “through service”. Opportunities to work with the state and the high-speed rail authority will continue to be pursued to advance other projects in the Southern California MOU and in the SCORE program more broadly.

Subsequent to the Budget Workshop, changes were made to the Operating Budget to include new service on the Ventura Line and changes to the Special Trains which created a net increase to Member Operating Subsidies of \$0.07M. Changes were also made to the Capital Program. The Rehabilitation budget for Metro was reduced by \$21.0M, as a result of funding capacity. This reduction affected only Line Specific Projects on the Valley subdivision and the Ventura-LA County subdivision. With respect to New Capital, a decision to reprioritize projects created a reduction of \$1.01M.

#### FY20 Operating Budget

The following table presents two blocks of columns. The first, *Budget Workshop* depicts the FY20 Proposed Operating Budget, as presented to the Board on March 22, 2019. The second block of columns, *FY20 Revised* depicts the effect of the subsequent revisions on revenues, expenditures and operating subsidies as result of that meeting.



(\$ millions)	Budget Workshop				FY20 Revised				
	FY19 Budget	FY20 Budget	FY20 vs FY19		FY20 Revised	Revised vs Budget Workshop		FY20 Revised vs FY19	
Revenues	100.8	105.5	4.7	4.6%	105.4	-0.07	0.1%	4.6	4.6%
Expenditures	251.4	262.9	11.5	4.6%	262.9	0.01	0.0%	11.5	4.6%
Total Operating Subsidy	150.6	157.4	6.8	4.5%	157.4	0.07	0.0%	6.9	4.6%

Revised Operating Subsidy by Member Agency:

(\$ millions)	Budget Workshop				FY20 Revised				
	FY19 Budget	FY20 Budget	FY20 vs FY19		FY20 Revised	Revised vs Budget Workshop		FY20 Revised vs FY19	
Metro	75.1	77.9	2.8	3.8%	78.0	0.05	0.1%	2.9	3.8%
OCTA	29.4	30.4	1.0	3.3%	30.3	-0.07	-0.2%	0.9	3.0%
RCTC	19.7	21.2	1.6	8.0%	21.3	0.05	0.2%	1.6	8.3%
SBCTA	16.1	17.1	1.0	6.4%	17.2	0.01	0.0%	1.0	6.5%
VCTC	10.3	10.7	0.4	4.2%	10.7	0.04	0.4%	0.5	4.6%
Total Operating Subsidy	150.6	157.4	6.8	4.5%	157.4	0.07	0.0%	6.9	4.6%

FY20 Capital Program - Rehabilitation

During the months of November and December 2018, and January of 2019, staff met with the Member Agencies both jointly and individually to review the requested projects for FY20.

During these meetings, staff provided an overview of the call for projects process stating that the Metrolink Rehabilitation Plan (MRP) forms the basis for the amounts presented. Staff described the process for the ranking and prioritization of projects, and the optimization of the fiscal request from the Member Agencies that ensures fulfillment of the Authority's strategic goals through annual investment in our varied asset classes. Questions regarding proposed scope of the projects were answered, and additional supporting documentation was provided.

The forecast for Rehabilitation requirements over the next five fiscal years is shown below:

Life of Project Basis Rehabilitation

FY2019-20	\$ 63.7m	Request/Adopt
FY2020-21	\$161.1m	Forecast/Program
FY2021-22	\$213.1m	Forecast/Program
FY2022-23	\$217.6m	Forecast/Program
FY2023-24	\$222.1m	Forecast/Program

Completion of Rehabilitation projects are multi-year in nature. As such, the funding for the FY20, FY21, FY22, FY23 and FY24 requests may be viewed as each having a four-year funding commitment which would have the following estimated cashflow impact over the subsequent fiscal years:

FY2019-20 PROPOSED & FY2021-24 FORECAST CASHFLOW - REHABILITATION						
CASH BASIS						
	CASH OUTLAY					
(\$ millions)	FROM FY20 Budget	FROM FY21 Forecast	FROM FY22 Forecast	FROM FY23 Forecast	FROM FY24 Forecast	Total By Year
FY2019-20	3.1	-	-	-	-	3.1
FY2020-21	21.6	8.1	-	-	-	29.7
FY2021-22	18.7	56.4	10.7	-	-	85.8
FY2022-23	20.4	40.3	74.6	10.9	-	146.1
FY2023-24	-	56.4	53.3	76.1	11.1	196.9
FY2024-25	-	-	74.6	54.4	77.7	206.7
FY2025-26	-	-	-	76.1	55.5	131.7
FY2026-27	-	-	-	-	77.7	77.7
<b>Total</b>	<b>\$ 63.7</b>	<b>\$ 161.1</b>	<b>\$ 213.1</b>	<b>\$ 217.6</b>	<b>\$ 222.1</b>	<b>\$ 877.6</b>

Does not include cashflow generated by projects approved in prior years.

FY20 Capital Program - New Capital

Staff met during December 2018 and January 2019 to determine projects to be recommended for New Capital in FY20. Projects were presented that will enhance safety and security, improve system reliability, increase ridership, maximize capacity, improve efficiency, provide environmental benefit, and contribute to the strategic goals of the Authority. New Capital projects are subject to the same ranking, prioritization and optimization as the Rehabilitation projects described above. The Proposed New Capital Budget was revised after the presentation at the March 22, 2019 Budget Workshop. In March 15, 2019 MAAC meeting it was determined that the Power Switch at Riverside Downtown station was a higher priority project due to the immediate on-time performance benefits and project readiness. Therefore, other projects were deferred to allow the Switch project's inclusion. Additionally, it was determined that the higher priority need of

two Engineering Studies was included to determine the scope and budget for future capital investments of the locomotive overhauls and modernization needs of the EMF and CMF.

The forecast for New Capital requests over the next five fiscal years is shown below:

Life of Project Basis New Capital

FY2019-20	\$ 3.0m	Request/Adopt
FY2020-21	\$ 30.6m	Forecast/Program
FY2021-22	\$144.8m	Forecast/Program
FY2022-23	\$ 86.6m	Forecast/Program
FY2023-24	\$ 57.2m	Forecast/Program

Completion of New Capital Projects are multi-year in nature. As such, the funding for the FY20, FY21, FY22, FY23 and FY24 requests may be viewed as each having a four-year funding commitment which would have the following estimated cashflow impact over the subsequent fiscal years:

FY2019-20 PROPOSED & FY2021-24 FORECAST CASHFLOW - NEW CAPITAL						
CASH BASIS						
(\$ millions)	CASH OUTLAY					
	FROM FY20 Budget	FROM FY21 Forecast	FROM FY22 Forecast	FROM FY23 Forecast	FROM FY24 Forecast	Total By Year
FY2019-20	0.1	-	-	-	-	0.1
FY2020-21	0.7	1.5	-	-	-	2.3
FY2021-22	1.2	10.7	7.2	-	-	19.2
FY2022-23	1.0	7.7	50.7	4.3	-	63.7
FY2023-24	-	10.7	36.2	30.3	2.9	80.1
FY2024-25	-	-	50.7	21.6	20.0	92.3
FY2025-26	-	-	-	30.3	14.3	44.6
FY2026-27	-	-	-	-	20.0	20.0
<b>Total</b>	<b>\$ 3.0</b>	<b>\$ 30.6</b>	<b>\$ 144.8</b>	<b>\$ 86.6</b>	<b>\$ 57.2</b>	<b>\$ 322.2</b>

Does not include cashflow generated by projects approved in prior years

Note: Applies to all Tables - Numbers may not foot or cross foot due to rounding.

**Funding of Capital Program**

Member Agencies provide funding in two different modes:

- ✓ One mode is on a Life of Project basis with the commitment of grant funds;
- ✓ the other is on a Cash Basis

The FY20 Capital Program presented during our Budget Workshop totaled \$87.8m. In the weeks following the budget workshop, staff has received funding commitments that allow us to maximize the available funding from all 5 Member Agencies. On this basis, we will be recommending that the board adopt a revised FY20 Capital Program (Rehabilitation/New Capital) Budget totaling \$66.8M.

### **FY20 Budget - Overall Summary**

The FY20 Proposed Budget for Metrolink includes new budgetary authority of \$329.7M. The Proposed Budget consists of Operating Budget authority of \$262.9M, an increase of 4.6% as compared to the FY19 Adopted Budget. Capital Program authority totals \$66.8M; \$63.7M for Rehabilitation Projects, and \$3.1M for New Capital Projects. Carryover of Rehabilitation Projects approved in prior years is \$159.3M, and carryover of New Capital Projects approved in prior years is \$36.0M. Capital Program amounts in this document refer to Member Agency requested commitments only. Other funding sources which include BNSF, UPPR and staff direct grants are not reflected in this document since they do not require Member Agency Board action. Staff will communicate to both BNSF and UPPR under the Capital Project requirements for their proportionate share of any related Capital Project(s) as required.

### **FY20 Operating Budget**

#### **Changed Budget Assumptions**

The FY20 Proposed Budget does not include any proposed increase to the base fare structure. The FY20 Proposed Budget includes increased service for a total of 3.0 million service miles through the operation of 175 weekday trains and 92 weekend trains. Increases in service are included for the San Bernardino, 91/PVL, Orange County and Ventura Lines. Special Trains, previously Third-Party Agreements have been included in the Operating Budget. Five new positions are being requested; two in Train Operations, two in Maintenance of Way/Capital, one in Administration.

#### **Operating Budget Summary**

The Operating Revenues reflect a projected net increase of \$4.6M or 4.6% from FY19. The year over year changes are detailed below in the Operating Revenues section. The Operating Expenditures reflect an increase of \$11.5M or 4.6% increase from FY19. Details of the year over year change are explained below in the Operating Expenditures section.

#### **Operating Revenues**

Operating Revenues include Farebox, Dispatching, Maintenance-of-Way (MOW) Revenues, interest, other minor miscellaneous revenues, and are estimated to total

\$105.4M for FY20, an increase of \$4.6M or 4.6% compared to the FY19 Adopted Budget.

Farebox Revenues, the largest component of the operating revenue of the budget, are projected at \$90.0M, an increase \$4.3M or 5.1% compared to the FY19 Adopted Budget.

Dispatching and MOW revenues from the freight railroads and Amtrak are based on existing agreements at the current rate of usage. The FY20 Dispatch Revenue projection of \$2.2M estimates an increase of \$52k or 2.5% from the FY19 Adopted Budget. The FY20 MOW Revenues are projected to increase \$0.5M or 3.6%.

### Operating Expenditures

Operating Expenditures are presented in the following four categories: Train Operations, Maintenance-of-Way (MOW), Administration and Services, and Insurance.

The Train Operations component of the Operating budget contains those costs necessary to provide Metrolink commuter rail services across the six-county service area, which includes the direct costs of railroad operations, equipment maintenance, required support costs, and other administrative and operating costs. The FY20 Proposed Budget for expenditures related to Train Operations is \$153.6M.

Ordinary MOW expenditures are those costs necessary to perform the inspections and repairs needed to ensure reliable, safe, efficient operation of trains and safety of the public. The FY20 proposed budgeted amount for expenditures related to MOW is \$47.0M.

Administration and Services include internal expenditures related to Train Operations. The FY20 Proposed Budget for expenditures related to Administration & Services is \$48.1M.

The Category of Insurance and Legal is \$14.2M for the FY20 Proposed Budget.

Overall, the total FY20 Proposed Budgeted for expenditures have increased from the FY19 Adopted Budget by \$11.5M or 4.6%. The components of this change are as described below.

- Total Train Operations have increased by \$1.3M. The primary drivers of this increase are:
  - ✓ Fuel costs are higher by \$2.9M due to higher diesel prices;
  - ✓ Train Operations Services have increased \$1.8M;
  - ✓ Rail Agreements increased by \$1.0M;
  - ✓ Special Trains were added to the Operating Budget (previously TPA) for \$0.8M;
  - ✓ TVD Maintenance increased by \$0.6M;
  - ✓ Other increased by \$0.2M;

- ✓ Equipment Maintenance decreased by \$1.2M due to reduced material for Rolling Stock repairs;
- ✓ Transfers to Other Operators decreased by \$1.2M;
- ✓ Marketing decreased by \$3.6M due to the one-time marketing program in FY19.
  
- MOW has increased by \$5.7M primarily as a result of:
  - ✓ Changes to Salaries & Benefits previously charged to Capital Projects \$1.8M;
  - ✓ Change in ICAP calculation which transferred \$1.5M from Capital Projects to the Operations Budget;
  - ✓ Signal Maintenance (MEC) increase of \$1.0M;
  - ✓ Track Maintenance (VTMI) increase of \$0.9M;
  - ✓ Consulting increase of \$0.5M.
  
- Administration and Services have increased by \$7.0M. The primary drivers of this increase are:
  - ✓ Overhead increased \$1.9M due to a correction to last year's projection of Other Post-Employment Benefits (OPEB) of \$0.8M and increase to this year OPEB of \$0.4m, and an increase of \$0.6M for office rental;
  - ✓ Amounts associated with our Indirect Cost Allocation Plan (ICAP) previously charged to Capital projects caused an increase of \$1.7M:
    - ✓ DBE consultants for \$1.2M previously charged to Capital projects;
    - ✓ PTC maintenance and support increase of \$0.9M;
    - ✓ Change to Salaries & Fringe \$0.8M;
    - ✓ Information Technology increases \$0.3M;
    - ✓ Engineering Consultants increase \$0.2M.
  
- Total Insurance expense decreased by \$2.5M.
  - ✓ Insurance premiums lower by \$0.5M;
  - ✓ Decrease as a result of a change in the projected claim liability of \$3.0M.

#### Member Agency Operating Subsidy

- Member Agency subsidies are required to fund the difference between the total costs of operations and available revenues. The Revised FY20 Proposed Budget estimates total Member Agency contributions to equal \$157.4M, an increase of \$6.9M or 4.6% more than the FY19 Budget.
  
- A year over year comparison of net operating subsidy by Member Agency is presented in Attachment E. In response to Member Agency requests, this schedule reflects the FY20 Proposed member subsidy in whole dollars which are required to create Member Agency Board requests.

## Capital Budget

### Carryover from Prior Years

Capital Projects are frequently multi-year endeavors. Unexpended project balances are referred to as "Carryovers" because their uncompleted balance moves forward to the following year. Projects authorized in prior years but "carried over" total \$159.3M for Rehabilitation and \$36.0m for New Capital. They are shown in detail on Attachments F and G, respectively.

### Capital Rehabilitation

The Capital Rehabilitation authorization request for FY20 was identified as necessary investments to maintain a state-of-good repair. These projects total \$63.7m and are represented in detail in Attachment H.

The total Rehabilitation Program by asset type includes:

<u>ASSET TYPE</u>	<u>TOTAL</u>
Communications	\$ 2.4m
Facilities	3.1m
Non-Revenue Fleet	4.1m
Rolling Stock	2.9m
Signals	13.5m
Structures	7.2m
Track	30.5m
	<u>\$63.7m</u>

### New Capital

The New Capital authorization request for FY20 was identified as necessary for safe and efficient rail operations. These projects total \$3.0m and are shown in detail in Attachment I.

### Operating Budget Attachments

The attachments as listed below provide additional detail on the FY20 Proposed Budget for the Operating as described:

- **Attachment A – FY20 Proposed Operating Budget** - a detail of the Operating Revenues, Expenses and Subsidy adopted for FY19 and proposed for FY20. This attachment also shows variances between FY19 Adopted Budget and FY20 Proposed Budget in dollars and percentages.
- **Attachment B – Historical Actual and Budgeted Operating Statements.** Actual Operating expense for FY16, FY17 & FY18, Adopted Operating Budget for FY19 and Proposed Operating Budget for FY20, with a variance comparison between FY19 Adopted Budget and FY20 Proposed Budget.
- **Attachment C – FY20 Proposed Operating Budget by Member Agency**
- **Attachment D – FY20 Proposed Operating Budget by Line**
- **Attachment E – FY20 Budgeted Operating Subsidy – FY20 Proposed Budget** Operating Subsidies by Member Agency presented in whole dollars, with comparisons to FY19 Adopted Budget.

#### Capital Program Budget Attachments

The attachments as listed below provide additional detail on the FY20 Proposed Budget for the Capital Program as described:

- **Attachment F – FY20 Rehabilitation Carryover Projects-** Details ongoing Rehabilitation Projects approved in prior years by subdivision, project category and Member Agency.
- **Attachment G – FY20 New Capital Carryover Projects** - Details ongoing New Capital Projects approved in prior years by subdivision, project category and Member Agency.
- **Attachment H – FY20 Proposed Rehabilitation Projects Detail list** – Presents original request and funded amounts by subdivision, project category and Member Agency share.
- **Attachment I – FY20 Proposed New Capital Projects Detail list** - Presents original request and funded amounts by subdivision, project category and Member Agency share.

#### Operating Budget Forecasts for FY21, FY22, FY23 and FY24

Upon approval by the Board, the FY20 Proposed Budget will be transmitted to Member Agencies for consideration and adoption. FY21, FY22, FY23 and FY24 forecasted budgets will also be transmitted to the Member Agencies for consideration and



programming. The four-year forecasts will only be considered for adoption individually during the applicable year.

The Attachments -Operating Budget Forecasts for FY21, FY22, FY23, FY24

- **Attachment J – FY21 Forecasted Operating Budget**
- **Attachment K – FY22 Forecasted Operating Budget**
- **Attachment L – FY23 Forecasted Operating Budget**
- **Attachment M – FY24 Forecasted Operating Budget**

The assumptions reflected in the FY21, FY22, FY23 and FY24 Forecasted Operating Budgets are based on contractual escalators and other known changes in combination with a projected increase factor based on the trends of each category of expense.

**Next Steps**

April – May, 2019	Staff present at Member Agencies' Committee and Board meetings as requested
June 14, 2019	FY20 Proposed Budget to Board for Adoption

**Budget Impact**

There is no budgetary impact as a result of this report. Approval to transmit the Proposed Budget to the Member Agencies for review and adoption is the next step in the FY20 Budget Development process. The FY20 Proposed Budget will then be presented to this Board for review and adoption at the June 14, 2019 meeting. Any actions taken by our Member Agencies prior to that meeting will be reported.

From a public service viewpoint Metrolink is simply the best investment to reduce freeway traffic and improve air quality in Southern California. Because 85% of Metrolink riders can choose to drive, Metrolink removes 1-2 lanes of parallel freeway traffic in each direction during peak hours on the 5, 10, 60, 91, 101 and 134 freeways.

Prepared by: Christine Wilson, Senior Manager Finance



Ronnie Campbell  
Chief Financial Officer

# FY 20 Proposed Operating Budget

# ATTACHMENT A

(\$000's)	FY 18-19	FY 19-20	Variance FY20 Proposed vs FY19 Adopted	
	Adopted Budget	Proposed Budget	\$ Variance	% Variance
<b>Operating Revenue</b>				
Farebox Revenue	82,904	87,739	4,835	5.8%
Special Trains	-	219	219	n/a
Fare Reduction Subsidy	2,732	2,025	(706)	-25.9%
<b>Subtotal-Pro Forma FareBox</b>	<b>85,636</b>	<b>89,983</b>	<b>4,347</b>	<b>5.1%</b>
Dispatching	2,120	2,172	52	2.5%
Other Revenues	490	257	(233)	-47.5%
MOW Revenues	12,561	13,011	450	3.6%
<b>Total Operating Revenue</b>	<b>100,806</b>	<b>105,423</b>	<b>4,617</b>	<b>4.6%</b>
<b>Operating Expenses</b>				
<b><u>Operations &amp; Services</u></b>				
Train Operations	46,872	48,733	1,861	4.0%
Equipment Maintenance	38,133	36,638	(1,496)	-3.9%
Contingency (Train Ops)	-	-	-	n/a
Fuel	18,744	21,730	2,986	15.9%
Non-Scheduled Rolling Stock Repairs	260	160	(100)	-38.5%
Operating Facilities Maintenance	1,684	1,749	65	3.9%
Other Operating Train Services	482	977	495	102.7%
Special Trains		793	793	n/a
Rolling Stock Lease	336	230	(106)	-31.4%
Security - Sheriff	5,889	6,095	206	3.5%
Security - Guards	2,450	2,552	102	4.2%
Supplemental Additional Security	690	660	(30)	-4.3%
Public Safety Program	389	421	32	8.2%
Passenger Relations	1,732	1,797	65	3.7%
TVM Maintenance/Revenue Collection	9,055	9,652	597	6.6%
Marketing	5,380	1,769	(3,610)	-67.1%
Media & External Communications	458	459		0.1%
Utilities/Leases	3,473	2,695	(778)	-22.4%
Transfers to Other Operators	6,496	5,301	(1,195)	-18.4%
Amtrak Transfers	2,400	2,400	-	0.0%
Station Maintenance	1,806	2,230	425	23.5%
Rail Agreements	5,400	6,362	963	17.8%
<b>Subtotal Operations &amp; Services</b>	<b>152,129</b>	<b>153,404</b>	<b>1,276</b>	<b>0.8%</b>
<b><u>Maintenance-of-Way</u></b>				
MoW - Line Segments	40,711	46,254	5,543	13.6%
MoW - Extraordinary Maintenance	591	712	121	20.6%
<b>Subtotal Maintenance-of-Way</b>	<b>41,301</b>	<b>46,966</b>	<b>5,665</b>	<b>13.7%</b>
<b><u>Administration &amp; Services</u></b>				
Ops Salaries & Fringe Benefits	13,782	14,631	849	6.2%
Ops Non-Labor Expenses	7,635	8,792	1,156	15.1%
Indirect Administrative Expenses	17,096	20,755	3,659	21.4%
Ops Professional Services	2,579	3,962	1,383	53.6%
<b>Subtotal Admin &amp; Services</b>	<b>41,093</b>	<b>48,140</b>	<b>7,047</b>	<b>17.1%</b>
<b>Contingency (Non-Train Ops)</b>	<b>204</b>	<b>200</b>	<b>(4)</b>	<b>-2.0%</b>
<b>Total Operating Expenses</b>	<b>234,727</b>	<b>248,710</b>	<b>13,984</b>	<b>6.0%</b>
<b>Insurance and Legal</b>				
Liability/Property/Auto	11,418	11,906	488	4.3%
Net Claims / SI	4,000	1,000	(3,000)	-75.0%
Claims Administration	1,211	1,252	41	3.4%
<b>Net Insurance and Legal</b>	<b>16,629</b>	<b>14,158</b>	<b>(2,471)</b>	<b>-14.9%</b>
<b>TOTAL EXPENSE</b>	<b>251,356</b>	<b>262,869</b>	<b>11,512</b>	<b>4.6%</b>
<b>Net Loss</b>	<b>(150,550)</b>	<b>(157,445)</b>	<b>(6,896)</b>	<b>4.6%</b>
<b>All Member Subsidies</b>	<b>150,550</b>	<b>157,445</b>	<b>6,896</b>	<b>4.6%</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>

Numbers may not foot due to rounding.

# Historical Actual and Budgeted Operating Statements

# ATTACHMENT B

(\$000's)	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY19-20 Proposed Budget vs. FY18-19 Adopted Budget	
	Actual	Actual	Actual	Adopted Budget	Proposed Budget	Variance	%
<b>Operating Revenue</b>							
Farebox Revenue	83,652	82,883	82,542	82,904	87,739	4,835	5.8%
Special Trains	-	-	-	-	219	219	n/a
Fare Reduction Subsidy	873	490	157	2,732	2,025	(706)	-25.9%
<b>Subtotal-Pro Forma FareBox</b>	<b>84,524</b>	<b>83,373</b>	<b>82,699</b>	<b>85,636</b>	<b>89,983</b>	<b>4,347</b>	<b>5.1%</b>
Dispatching	2,120	2,016	2,133	2,120	2,172	52	2.5%
Other Revenues	429	762	463	490	257	(233)	-47.5%
MOW Revenues	12,434	12,384	12,789	12,561	13,011	450	3.6%
<b>Total Operating Revenue</b>	<b>99,507</b>	<b>98,535</b>	<b>98,084</b>	<b>100,806</b>	<b>105,423</b>	<b>4,617</b>	<b>4.6%</b>
<b>Operating Expenses</b>							
<b>Operations &amp; Services</b>							
Train Operations	41,887	41,616	42,116	46,872	48,733	1,861	4.0%
Equipment Maintenance	33,751	35,422	34,242	38,133	36,638	(1,496)	-3.9%
Contingency (Train Ops)				-	-	-	n/a
Fuel	17,381	18,207	17,577	18,744	21,730	2,986	15.9%
Non-Scheduled Rolling Stock Repairs	136	1	56	260	160	(100)	-38.5%
Operating Facilities Maintenance	1,149	1,475	1,493	1,684	1,749	65	3.9%
Other Operating Train Services	239	449	722	482	977	495	102.7%
Special Trains					793	793	n/a
Rolling Stock Lease	638	230	11	336	230	(106)	-31.4%
Security - Sheriff	4,912	5,511	5,662	5,889	6,095	206	3.5%
Security - Guards	1,685	1,283	1,931	2,450	2,552	102	4.2%
Supplemental Additional Security	-	520	227	690	660	(30)	-4.3%
Public Safety Program	217	203	193	389	421	32	8.2%
Passenger Relations	1,748	1,868	1,723	1,732	1,797	65	3.7%
TVM Maintenance/Revenue Collection	6,554	7,934	8,188	9,055	9,652	597	6.6%
Marketing	1,137	716	1,307	5,380	1,769	(3,610)	-67.1%
Media & External Communications	343	249	320	458	459	1	0.1%
Utilities/Leases	2,046	2,614	2,804	3,473	2,695	(778)	-22.4%
Transfers to Other Operators	6,488	6,003	3,818	6,496	5,301	(1,195)	-18.4%
Amtrak Transfers	1,287	1,307	1,678	2,400	2,400	-	0.0%
Station Maintenance	1,418	1,196	1,575	1,806	2,230	425	23.5%
Rail Agreements	5,207	5,155	4,938	5,400	6,362	963	17.8%
<b>Subtotal Operations &amp; Services</b>	<b>128,223</b>	<b>131,960</b>	<b>130,582</b>	<b>152,129</b>	<b>153,404</b>	<b>1,276</b>	<b>0.8%</b>
<b>Maintenance-of-Way</b>							
MoW - Line Segments	37,936	37,355	42,411	40,711	46,254	5,543	13.6%
MoW - Extraordinary Maintenance	1,518	1,260	594	591	712	121	20.6%
<b>Subtotal Maintenance-of-Way</b>	<b>39,453</b>	<b>38,615</b>	<b>43,005</b>	<b>41,301</b>	<b>46,966</b>	<b>5,665</b>	<b>13.7%</b>
<b>Administration &amp; Services</b>							
Ops Salaries & Fringe Benefits	12,892	13,808	12,507	13,782	14,631	849	6.2%
Ops Non-Labor Expenses	5,322	5,046	5,890	7,635	8,792	1,156	15.1%
Indirect Administrative Expenses	12,417	14,090	19,333	17,096	20,755	3,659	21.4%
Ops Professional Services	2,019	1,963	2,687	2,579	3,962	1,383	53.6%
<b>Subtotal Admin &amp; Services</b>	<b>32,651</b>	<b>34,907</b>	<b>40,417</b>	<b>41,093</b>	<b>48,140</b>	<b>7,047</b>	<b>17.1%</b>
Contingency (Non-Train Ops)	47	2	15	204	200	(4)	-2.0%
<b>Total Operating Expenses</b>	<b>200,374</b>	<b>205,484</b>	<b>214,019</b>	<b>234,727</b>	<b>248,710</b>	<b>13,984</b>	<b>6.0%</b>
<b>Insurance and Legal</b>							
Liability/Property/Auto	11,634	11,061	9,748	11,418	11,906	488	4.3%
Net Claims / SI	3,855	5,115	8,551	4,000	1,000	(3,000)	-75.0%
Claims Administration	421	704	585	1,211	1,252	41	3.4%
<b>Net Insurance and Legal</b>	<b>15,909</b>	<b>16,880</b>	<b>18,883</b>	<b>16,629</b>	<b>14,158</b>	<b>(2,471)</b>	<b>-14.9%</b>
<b>Total Expense Before BNSF</b>	<b>216,283</b>	<b>222,364</b>	<b>232,902</b>	<b>251,356</b>	<b>262,869</b>	<b>11,512</b>	<b>4.6%</b>
<b>Loss Before BNSF</b>	<b>(116,776)</b>	<b>(123,829)</b>	<b>(134,818)</b>	<b>(150,550)</b>	<b>(157,445)</b>	<b>(6,896)</b>	<b>4.6%</b>
<b>Member Subsidies</b>							
Operations	109,003	119,148	124,736	133,920	143,287	9,367	7.0%
Insurance	18,079	16,787	17,663	16,629	14,158	(2,471)	-14.9%
<b>Total Member Subsidies</b>	<b>127,082</b>	<b>135,934</b>	<b>142,399</b>	<b>150,550</b>	<b>157,445</b>	<b>6,896</b>	<b>4.6%</b>
<b>Surplus / (Deficit) Before BNSF</b>	<b>10,306</b>	<b>12,106</b>	<b>7,581</b>				
<b>BNSF LEASED LOCOMOTIVE COSTS</b>							
<b>Total BNSF Lease Loco Expenses</b>	<b>10,397</b>	<b>5,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Member BNSF Lease Subsidies</b>	<b>11,545</b>	<b>6,055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Surplus / (Deficit) - BNSF Lease</b>	<b>1,148</b>	<b>386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>TOTAL EXPENSE</b>	<b>226,680</b>	<b>228,032</b>	<b>232,902</b>	<b>251,356</b>	<b>262,869</b>	<b>11,512</b>	<b>4.6%</b>
<b>Net Loss</b>	<b>(127,173)</b>	<b>(129,498)</b>	<b>(134,818)</b>	<b>(150,550)</b>	<b>(157,445)</b>	<b>(6,896)</b>	<b>4.6%</b>
<b>All Member Subsidies</b>	<b>138,627</b>	<b>141,989</b>	<b>142,399</b>	<b>150,550</b>	<b>157,445</b>	<b>6,896</b>	<b>4.6%</b>
<b>Surplus / (Deficit)</b>	<b>11,454</b>	<b>12,491</b>	<b>7,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>

Numbers may not foot due to rounding.

# FY2019-20 Proposed Operating Budget by Member Agency

# ATTACHMENT C

(\$000s)	FY2019-20 PROPOSED BUDGET - MEMBER ALLOCATION					
	Metro	OCTA	RCTC	SBCTA	VCTC	Total
<b>Operating Revenue</b>						
Farebox Revenue	\$ 42,967	\$ 24,374	\$ 8,134	\$ 9,891	\$ 2,373	\$ 87,739
Special Trains	97	54	45	18	5	219
Fare Reduction Subsidy	1,187	-	-	839	-	2,025
<b>Subtotal-Pro Forma FareBox</b>	<b>44,250</b>	<b>24,427</b>	<b>8,179</b>	<b>10,748</b>	<b>2,378</b>	<b>89,983</b>
Dispatching	1,122	717	8	64	262	2,172
Other Revenues	123	54	28	36	17	257
MOW Revenues	7,696	2,613	670	1,553	479	13,011
<b>Total Operating Revenue</b>	<b>53,191</b>	<b>27,812</b>	<b>8,884</b>	<b>12,401</b>	<b>3,135</b>	<b>105,423</b>
<b>Operating Expenses</b>						
<b><u>Operations &amp; Services</u></b>						
Train Operations	25,633	10,888	5,317	5,154	1,742	48,733
Equipment Maintenance	18,025	8,451	4,356	4,255	1,552	36,638
Fuel	10,740	5,906	2,283	2,183	618	21,730
Non-Scheduled Rolling Stock Repairs	83	38	16	18	5	160
Operating Facilities Maintenance	905	416	173	200	55	1,749
Other Operating Train Services	486	134	116	164	77	977
Special Trains	303	226	223	37	5	793
Rolling Stock Lease	109	46	26	33	17	230
Security - Sheriff	3,198	1,212	939	628	119	6,095
Security - Guards	1,211	440	380	268	254	2,552
Supplemental Additional Security	324	180	60	79	17	660
Public Safety Program	200	73	63	44	42	421
Passenger Relations	857	501	169	209	59	1,797
TVM Maintenance/Revenue Collection	4,137	2,104	1,596	1,234	581	9,652
Marketing	825	479	193	197	75	1,769
Media & External Communications	218	79	68	48	46	459
Utilities/Leases	1,278	464	401	283	268	2,695
Transfers to Other Operators	2,973	1,192	378	600	159	5,301
Amtrak Transfers	767	1,526	2	3	101	2,400
Station Maintenance	1,378	304	147	303	98	2,230
Rail Agreements	2,215	1,895	1,533	383	337	6,362
<b>Subtotal Operations &amp; Services</b>	<b>75,865</b>	<b>36,554</b>	<b>18,437</b>	<b>16,321</b>	<b>6,228</b>	<b>153,404</b>
<b><u>Maintenance-of-Way</u></b>						
MoW - Line Segments	24,352	9,311	3,423	6,388	2,780	46,254
MoW - Extraordinary Maintenance	417	102	68	76	49	712
<b>Subtotal Maintenance-of-Way</b>	<b>24,769</b>	<b>9,413</b>	<b>3,491</b>	<b>6,464</b>	<b>2,829</b>	<b>46,966</b>
<b><u>Administration &amp; Services</u></b>						
Ops Salaries & Fringe Benefits	6,941	2,531	2,171	1,538	1,451	14,631
Ops Non-Labor Expenses	4,457	1,939	965	1,002	429	8,792
Indirect Administrative Expenses	9,846	3,576	3,088	2,179	2,065	20,755
Ops Professional Services	1,880	683	590	416	394	3,962
<b>Subtotal Admin &amp; Services</b>	<b>23,123</b>	<b>8,729</b>	<b>6,813</b>	<b>5,135</b>	<b>4,339</b>	<b>48,140</b>
<b><u>Contingency</u></b>	<b>95</b>	<b>34</b>	<b>30</b>	<b>21</b>	<b>20</b>	<b>200</b>
<b>Total Operating Expenses</b>	<b>123,853</b>	<b>54,730</b>	<b>28,771</b>	<b>27,941</b>	<b>13,416</b>	<b>248,710</b>
<b>Insurance and Legal</b>						
Liability/Property/Auto	6,161	2,834	1,175	1,359	377	11,906
Net Claims / SI	517	238	99	114	32	1,000
Claims Administration	648	298	124	143	40	1,252
<b>Total Net Insurance and Legal</b>	<b>7,326</b>	<b>3,370</b>	<b>1,398</b>	<b>1,616</b>	<b>448</b>	<b>14,158</b>
<b>Total Expense</b>	<b>131,179</b>	<b>58,100</b>	<b>30,168</b>	<b>29,557</b>	<b>13,865</b>	<b>262,869</b>
<b>Member Subsidies</b>						
<b>Total Member Subsidies</b>	<b>\$ 77,988</b>	<b>\$ 30,288</b>	<b>\$ 21,284</b>	<b>\$ 17,156</b>	<b>\$ 10,729</b>	<b>\$ 157,445</b>

Numbers may not foot due to rounding.

**FY2019-20 Proposed Operating Budget  
by Line**

**ATTACHMENT D**

(\$000s)	FY2019-20 PROPOSED BUDGET - LINE ALLOCATION								
	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	OC MSEP	IEOC	91/PVL	Total
<b>Operating Revenue</b>									
Farebox Revenue	\$ 19,165	\$ 6,539	\$ 13,141	\$ 8,968	\$ 24,707	\$ 416	\$ 7,862	\$ 6,941	\$ 87,739
Special Trains	33	14	31	11	42	-	57	31	219
Fare Reduction Subsidy	2,025	-	-	-	-	-	-	-	2,025
<b>Subtotal-Pro Forma FareBox</b>	<b>21,223</b>	<b>6,553</b>	<b>13,172</b>	<b>8,979</b>	<b>24,748</b>	<b>416</b>	<b>7,919</b>	<b>6,972</b>	<b>89,983</b>
Dispatching	165	540	369	6	1,029	16	18	31	2,172
Other Revenues	57	36	41	33	46	1	34	10	257
MOW Revenues	3,496	1,535	3,968	299	1,669	187	1,122	733	13,011
<b>Total Operating Revenue</b>	<b>24,942</b>	<b>8,664</b>	<b>17,550</b>	<b>9,317</b>	<b>27,493</b>	<b>619</b>	<b>9,092</b>	<b>7,746</b>	<b>105,423</b>
<b>Operating Expenses</b>									
<b>Operations &amp; Services</b>									
Train Operations	10,456	5,011	10,397	3,070	7,326	959	5,372	6,142	48,733
Equipment Maintenance	8,135	3,799	7,342	2,654	5,247	1,342	4,335	3,784	36,638
Fuel	4,381	1,880	4,583	1,291	3,964	913	2,663	2,055	21,730
Non-Scheduled Rolling Stock Repairs	38	14	34	11	25	5	19	13	160
Operating Facilities Maintenance	411	153	375	123	276	56	212	142	1,749
Other Operating Train Services	313	129	140	116	60	21	88	109	977
Special Trains	72	17	79	11	112	-	189	314	793
Rolling Stock Lease	50	35	37	32	39	-	31	7	230
Security - Sheriff	1,342	330	1,730	265	812	122	674	821	6,095
Security - Guards	372	424	461	382	196	70	289	357	2,552
Supplemental Additional Security	144	49	99	67	186	3	60	52	660
Public Safety Program	61	70	76	63	32	12	48	59	421
Passenger Relations	419	153	295	140	414	18	234	124	1,797
TVM Maintenance/Revenue Collection	1,790	1,355	1,572	931	1,004	410	1,367	1,222	9,652
Marketing	415	140	233	130	445	16	177	212	1,769
Media & External Communications	67	76	83	69	35	13	52	64	459
Utilities/Leases	393	448	487	404	207	74	305	377	2,695
Transfers to Other Operators	1,241	443	1,177	453	1,401	-	174	413	5,301
Amtrak Transfers	-	309	-	-	2,091	-	-	-	2,400
Station Maintenance	640	289	462	194	392	14	39	201	2,230
Rail Agreements	-	627	-	1,939	1,131	12	1,044	1,609	6,362
<b>Subtotal Operations &amp; Services</b>	<b>30,743</b>	<b>15,749</b>	<b>29,662</b>	<b>12,347</b>	<b>25,397</b>	<b>4,059</b>	<b>17,370</b>	<b>18,077</b>	<b>153,404</b>
<b>Maintenance-of-Way</b>									
MoW - Line Segments	13,393	7,447	9,865	1,246	5,930	653	4,165	3,556	46,254
MoW - Extraordinary Maintenance	162	113	138	77	101	8	82	31	712
<b>Subtotal Maintenance-of-Way</b>	<b>13,555</b>	<b>7,560</b>	<b>10,003</b>	<b>1,323</b>	<b>6,031</b>	<b>660</b>	<b>4,247</b>	<b>3,587</b>	<b>46,966</b>
<b>Administration &amp; Services</b>									
Ops Salaries & Fringe Benefits	2,142	2,423	2,648	2,184	1,138	399	1,656	2,040	14,631
Ops Non-Labor Expenses	1,846	927	1,767	761	1,323	218	1,012	938	8,792
Indirect Administrative Expenses	3,028	3,449	3,748	3,109	1,598	569	2,349	2,904	20,755
Ops Professional Services	578	659	716	594	305	109	449	554	3,962
<b>Subtotal Admin &amp; Services</b>	<b>7,595</b>	<b>7,458</b>	<b>8,880</b>	<b>6,647</b>	<b>4,364</b>	<b>1,295</b>	<b>5,466</b>	<b>6,435</b>	<b>48,140</b>
<b>Contingency</b>	<b>29</b>	<b>33</b>	<b>36</b>	<b>30</b>	<b>15</b>	<b>5</b>	<b>23</b>	<b>28</b>	<b>200</b>
<b>Total Operating Expenses</b>	<b>51,922</b>	<b>30,800</b>	<b>48,581</b>	<b>20,347</b>	<b>35,807</b>	<b>6,020</b>	<b>27,105</b>	<b>28,128</b>	<b>248,710</b>
<b>Insurance and Legal</b>									
Liability/Property/Auto	2,797	1,040	2,555	837	1,881	384	1,444	969	11,906
Net Claims / SI	235	87	215	70	158	32	121	81	1,000
Claims Administration	294	109	269	88	198	40	152	102	1,252
<b>Total Net Insurance and Legal</b>	<b>3,326</b>	<b>1,237</b>	<b>3,038</b>	<b>995</b>	<b>2,237</b>	<b>456</b>	<b>1,717</b>	<b>1,152</b>	<b>14,158</b>
<b>Total Expense</b>	<b>55,248</b>	<b>32,037</b>	<b>51,619</b>	<b>21,343</b>	<b>38,044</b>	<b>6,476</b>	<b>28,822</b>	<b>29,280</b>	<b>262,869</b>
<b>Member Subsidies</b>									
<b>Total Member Subsidies</b>	<b>\$ 30,306</b>	<b>\$ 23,373</b>	<b>\$ 34,068</b>	<b>\$ 12,025</b>	<b>\$ 10,551</b>	<b>\$ 5,858</b>	<b>\$ 19,730</b>	<b>\$ 21,533</b>	<b>\$ 157,445</b>

Numbers may not foot due to rounding.

**History of actual and budgeted Operating Subsidy  
with variances, and analysis of FY20 vs FY19**

**ATTACHMENT E**

**Net Local Subsidy by Member Agency**

	<b>Total Net Local Subsidy</b>	<b>Metro Share</b>	<b>OCTA share</b>	<b>RCTC Share</b>	<b>SBCTA Share</b>	<b>VCTC Share</b>
FY19 ADOPTED BUDGET	\$150,549,696	\$75,119,648	\$29,403,103	\$19,659,705	\$16,111,081	\$10,256,160
FY20 PROPOSED BUDGET	\$157,445,412	\$77,988,159	\$30,287,870	\$21,284,172	\$17,156,036	\$10,729,175

<b>YEAR OVER YEAR CHANGE</b>	<b>Total Net Local Subsidy</b>	<b>Metro Share</b>	<b>OCTA share</b>	<b>RCTC Share</b>	<b>SBCTA Share</b>	<b>VCTC Share</b>
FY20 vs FY19						
\$ Increase	\$6,895,716	\$2,868,511	\$884,767	\$1,624,468	\$1,044,955	\$473,015
% Increase	4.6%	3.8%	3.0%	8.3%	6.5%	4.6%

Whole numbers are provided as requested by Member Agencies for their board approval and budget adoption.



METROLINK.

FY2019-20 REHABILITATION CARRYOVER PROJECTS

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
514001	Systemwide	Signage	91-LA- RR CMS & PA System	17,418	-	-	-	-	17,418
514002	Olive	Track	Tie & Track RR	-	68,204	-	-	-	68,204
514003	Orange	Communications	Communication & Equipment	-	-	-	8,472	-	8,472
514004	Orange	Safety	Fencing at San Clemente	-	6,351	-	-	-	6,351
514005	Orange	Signal	Signal & Grade Crossing Rehabilitation	-	650	-	-	-	650
514006	Orange	Structures	Design Santiago Creek	-	3,254	-	-	-	3,254
514007	Orange	Track	Wood Crossties	-	17,752	-	-	-	17,752
514008	Orange	Track	Track & Curve	-	1,491	-	-	2,974	4,466
514009	Orange	Signage	CIS/Signage	-	-	-	24,616	-	24,616
514010	Orange & Olive	Signal	Signal & Gate Detector	-	51,107	-	-	-	51,107
514011	Orange	Structures	ROW Grade, Ditching, Fencing	-	711	-	-	-	711
514012	Pasadena	Track	Timber Crossties	2,681	-	-	-	-	2,681
514013	San Gabriel	Communications	Communication & Equipment	6,579	-	-	4,386	-	10,965
514014	San Gabriel	Structures	Fencing at Fontana, ROW Grading	13,480	-	-	8,986	-	22,466
514015	San Gabriel	Signage	CMS and PA System	9,549	-	-	6,004	-	15,553
514016	San Gabriel	Signal	Detector, Crossing Gates	13,064	-	-	8,709	-	21,773
514017	San Gabriel	Track	Wood Crossties	-	-	-	45,863	68,820	114,683
514018	Valley	Communications	Communication & Equipment	-	-	-	-	11,840	11,840
514024	Valley	Track	Rail and Curves	4,730	-	-	-	-	4,730
514027	Ventura - LA County	Signal	EC4-EC5, Crossing	4,244	-	-	-	-	4,244
514028	Ventura - LA County	Structures	ROW Grading, ETC	562	-	-	-	-	562
514029	Ventura - LA County	Track	Rails & Joints	88	-	-	-	-	88
514030	Ventura - LA County	Track	Curve 130	3,905	-	-	-	-	3,905
514032	Ventura - VC County	Signal	Light Fixtures	2,062	-	-	-	-	2,062
514034	Ventura - VC County	Signal	Signals, Gates	7,906	-	-	-	13,315	21,222
514035	Ventura - VC County	Structures	Culvert, Bridges	2,556	-	-	-	-	2,556
514036	Ventura - VC County	Track	Crossing, MP 436.1	47,629	-	-	-	-	47,629
514037	River	Communications	Communication Upgrade	14,890	5,396	3,015	3,920	-	27,221
514038	River	Structures	Fencing, ROW Grading	46,993	19,589	10,981	14,246	-	91,809
514039	River	Signal	Signal/Gates/CP First RR	11,948	4,980	2,792	3,622	-	23,342
514040	Systemwide	Communications	Facility MOC, TCOSF	1,050	380	213	277	-	1,920
514041	Systemwide	Communications	Communication, Train Control	708	244	137	178	-	1,267
514042	Systemwide	Facilities	Tables, Wheel TM	20,189	7,308	4,097	5,315	-	36,909
514043	Systemwide	Rolling Stock	Fuel Tanker Truck	2,243	708	397	514	-	3,861

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
514044	Systemwide	Facilities	EMF Fuel System	16,178	1,743	982	1,269	-	20,173
514045	Systemwide	Facilities	Storage Racks, Cont.	2,062	747	418	543	-	3,770
514046	Systemwide	IT	Online, Onboard Ticket Sales	19,621	15,628	10,266	11,260	-	56,775
514047	Systemwide	IT	Data Warehouse	23,929	9,975	5,592	7,254	-	46,750
514048	Systemwide	Facilities	TAM Plan, FTA MAP21	1,274	-	-	-	-	1,274
514049	Systemwide	IT	Ticket Sales Solution	1,537	574	321	16,190	32	18,654
514055	Systemwide	Signal	Signals, Grade Crossing	2,801	1,168	655	849	-	5,473
514056	Systemwide	Track	CMF West, Track, Crossing	1,569	654	367	476	-	3,066
514057	Systemwide	Track	Track Meas/Test/Rail Grind	54,296	22,633	12,688	16,460	-	106,077
514058	Systemwide	Vehicle	3 Tire Vehicle Replacement	3,132	-	-	-	-	3,132
514059	Systemwide	Vehicle	3 Vehicle, Buy 18 Vehicle	1,841	863	486	616	-	3,806
514060	Orange	Track	Transition Rails, Joints	-	5,239	-	-	-	5,239
514061	San Gabriel	Track	Transition Rails, Joints	-	-	-	17,099	26,338	43,436
514062	River	Track	Rails, Joints	16,541	6,896	3,107	5,015	-	31,559
514063	Valley	Security	Fencing Lancaster Station	63,604	-	-	-	-	63,604
514065	Systemwide	Track	Track Measurement	10,250	3,710	2,080	2,698	-	18,739
514066	Ventura - LA County	Track	Tunnel 26 Drainage	967	-	-	-	2,362	3,329
515100	Olive	Track	Culvert & Bridge	-	167,553	-	-	-	167,553
515101	Olive	Track	Ground Penetrating Radar	-	178	-	-	-	178
515102	Orange & Olive	Communications	Communication System	-	14,152	-	-	-	14,152
515104	Orange	Structures	ROW Maintenance	-	11,178	-	-	-	11,178
515105	Orange	Structures	Culvert & Bridge	-	1,538,392	-	-	-	1,538,392
515107	Orange	Track	Ground Penetrating Radar	-	-	-	13,509	-	13,509
515108	Orange	Track	Tie	-	57,281	-	-	-	57,281
515109	Pasadena	Signal	Signal Rehabilitation	6,829	-	-	-	-	6,829
515112	Orange	Structures	Grade Crossing	44,797	-	-	-	-	44,797
515113	Riverside	Facilities	Layover Improvements	-	-	418,907	-	-	418,907
515114	San Gabriel	Communications	Communication System	7,397	-	-	4,931	-	12,328
515115	San Gabriel	Signal	Signal Rehabilitation	14,554	-	-	2,103	-	16,656
515116	San Gabriel	Structures	ROW Maintenance	2,756	-	-	1,837	-	4,593
515117	San Gabriel	Track	Ground Penetrating Radar	5,773	-	-	3,848	-	9,621
515118	San Gabriel	Track	Track Rehabilitation	45,124	-	-	30,083	-	75,207
515124	Valley	Structures	ROW Maintenance	102	-	-	-	-	102
515126	Valley	Track	Ground Penetrating Radar	2,854	-	-	-	-	2,854
515127	Ventura - LA County	Communications	Communication System	42,186	-	-	-	-	42,186
515132	Ventura - LA County	Track	Ground Penetrating Radar	62	-	-	-	-	62
515133	Ventura - VC County	Communications	Communication System	10,295	-	-	-	863	11,158
515134	Ventura - VC County	Signal	Cable Replacement	-	-	-	-	5,625	5,625
515137	Ventura - VC County	Track	Sequoia AV Crossing	-	-	-	-	20,255	20,255
515138	River	Communications	Communication Rehabilitation	1,342	559	314	407	203	2,825



PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
515139	River	Signal	Cable Replacement	1,250	521	292	379	189	2,631
515141	River	StructuresB86:C100	ROW Maintenance	25,084	8,475	-	6,164	3,082	42,805
515142	River	Track	Ground Penetrating Radar	2,211	2,734	1,439	1,699	4,881	12,965
515143	River	Track	Rail Replacement	2,584	1,077	-	1,387	392	5,441
515145	Systemwide	Facilities	Upgrade CMF Sanding System	2,047	853	478	621	310	4,310
515147	Systemwide	Rolling Stock	PH/PHI Loco Overhaul	431	431	237	308	737	2,144
515148	Systemwide	Rolling Stock	Rail Car Battery	29,696	7,332	-	-	-	37,028
515151	Systemwide	Rolling Stock	Overhaul of Gen 1 Railcars	6,194	65,120	69,420	111,990	45,020	297,744
515152	Systemwide	Communications	PTC Comm & Signal Rehab	-	15,214	8,529	11,065	42,030	76,838
515154	Systemwide	Track	Track Measurement & Test	-	3,672	2,059	2,671	10,145	18,546
515155	Systemwide	Track	Rail Grinding	3,011	1,255	704	913	456	6,338
515159	Valley	Track	Tunnel 25 Drainage	15	-	-	-	2,207	2,222
515412	San Gabriel	Track	Purchase Rail 4 Installation in SBC	-	-	-	46,492	-	46,492
515510	Orange & Olive	Track	Rail Resurface	-	960	-	-	-	960
516069	Systemwide	Facilities	Replace NOX2 Monitoring System	-	-	-	3,985	3,072	7,058
516130	Ventura - VC County	Signal	Elecllogic+Crossing Rehab	-	-	-	-	14,270	14,270
516410	San Gabriel	Track	Track Rehabilitation	-	-	-	78,007	-	78,007
516510	Olive	Track	Rail Grinding	-	1,575	-	-	-	1,575
516511	Olive	Track	Track Panel Replacement	-	12,560	-	-	-	12,560
516610	Orange	Track	Rail Grinding	-	2,082	-	-	-	2,082
516612	Orange	Track	Track Panel Replacement	-	31,799	-	-	-	31,799
516621	Orange	Structures	San Juan Creek Bridge	-	1,200,000	-	-	-	1,200,000
516640	Orange	Communications	Signal & Grade Rehabilitation	-	26,167	-	-	-	26,167
516819	Redlands	Track	Track Rehabilitation	-	-	-	75,569	-	75,569
516820	Riverside	Facilities	Downtown Riverside Layover Improvements	-	-	35,495	-	-	35,495
516930	Perris Valley	Signal	Signal Engineering	-	-	60,417	-	-	60,417
516931	Perris Valley	Signal	Signal Replacement Parts & Grade Crossing	-	-	90,099	-	-	90,099
516940	Perris Valley	Communications	Communication Systems	-	-	4,648	-	-	4,648
517030	Systemwide	Facilities	Replacement Signal Shelter Locks	28,886	12,041	6,750	8,757	4,379	60,813
517040	Systemwide	Communications	Communication & PTC Upgrade	133,146	55,501	31,114	40,364	20,182	280,308
517050	Systemwide	Rolling Stock	Bombardier HVAC Overhaul	340,257	141,833	79,513	103,151	51,576	716,330
517051	Systemwide	Facilities	CMF Elevator Rehabilitation	32,284	13,457	7,545	9,786	4,893	67,965
517052	Systemwide	Facilities	Locomotive Wash Rack Drainage	748,819	312,139	174,988	149,488	74,744	1,460,178
517053	SB Shortway	Facilities	New LTG & Forklift	179,235	74,713	41,884	54,337	-	350,168
517054	Systemwide	Facilities	Rehabilitation Canopies 2-4 LAUS	452,255	188,792	105,839	137,303	68,651	952,840
517055	Systemwide	Facilities	Rehabilitation Canopy 5 LAUS	381,075	158,848	89,051	115,526	57,763	802,263
517110	Ventura - VC County	Track	Replacement Rail Curve 437.76	-	-	-	-	111,463	111,463
517122	Ventura - VC County	Structures	Replacement Culvert MP 436	-	-	-	-	39,044	39,044
517130	Ventura - VC County	Signal	Replacement Signal Battery & Cables	-	-	-	-	294,145	294,145
517140	Ventura - VC County	Communications	Communication Signage Rehabilitation	-	-	-	-	138,277	138,277

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
517310	Valley	Track	Replacement Rail & Ties	59,565	-	-	-	-	59,565
517330	Valley	Signal	Rehabilitation Signal Cont Units	2,360	-	-	-	-	2,360
517410	San Gabriel	Track	Tie Panel Replacement	85,144	-	-	56,702	-	141,846
517420	San Gabriel	Structures	Culvert Rehabilitation	133,605	-	-	89,070	-	222,675
517431	San Gabriel	Signal	Signal Rehabilitation	14,891	-	-	9,927	-	24,818
517440	San Gabriel	Communications	Communication Rehabilitation	7,890	-	-	5,260	-	13,150
517610	Orange	Track	Replacement Rail MP 201-207	-	187,482	-	-	-	187,482
517620	Orange	Structures	Replacement 36" Pipe 201.4	-	411,929	-	-	-	411,929
517640	Orange & Olive	Communications	Rehabilitation Signage	-	21,687	-	-	-	21,687
517710	River Sub - East Bank	Track	Replacement Rail and Ties	106,552	26,240	24,900	32,302	16,151	206,144
517711	River	Track	Replacement Turnouts	49,648	20,695	11,602	15,051	7,526	104,522
517712	River Sub - East Bank	Track	Rail & Tie - EB Zone 2	194,514	81,083	45,459	58,942	29,490	409,488
517713	River Sub - East Bank	Track	Tie & Rail - EB Zone 3	27,966	11,656	6,536	8,477	4,240	58,875
517731	River Sub - East Bank	Signal	Signal Controls Rehabilitation - EB	38,419	16,014	8,978	11,647	5,824	80,883
517740	River Sub - East Bank	Communications	Communication Rehabilitation - EB	3,908	1,629	909	1,183	594	8,223
517940	PVL	Communications	Communication & PTC Rehabilitation	-	-	58,821	-	-	58,821
518050	Systemwide	Rolling Stock	Bombardier (Sentinel) Overhaul	6,734,259	2,807,122	1,573,690	1,958,734	979,368	14,053,174
518110	Ventura - VC County	Track	Replacement Tie+Ballast	-	-	-	-	1,448,098	1,448,098
518140	Ventura - VC County	Communications	Wayside Communication System Replacement	-	-	-	-	25,441	25,441
518620	Orange	Structures	Culvert Replacement - San Clemente	-	966,585	-	-	-	966,585
518630	Orange	Track	Grade Crossing Rehabilitation	-	295,291	-	-	-	295,291
518640	Orange & Olive	Communications	Wayside Communication System Replacement	-	108,337	-	-	-	108,337
518940	PVL	Communications	Wayside Communication System Replacement	-	-	29,955	-	-	29,955
519010	Systemwide	Track	Rail Grinding	1,028,584	195,354	201,868	261,883	130,941	1,818,630
519011	Systemwide	Track	Track Asset Condition Assessments	340,884	142,095	79,659	103,342	51,671	717,651
519012	Systemwide	Track	SOGR Prioritization	499,703	-	82,418	106,920	53,460	742,500
519020	River	Structures	Arroyo Seco Bridge Design	587,813	245,025	137,363	178,200	89,100	1,237,500
519031	Systemwide	Signal	Back Office Hardware & Software Replacement	752,885	-	124,176	161,093	80,546	1,118,700
519032	Systemwide	Signal	Back Office Systems Upgrades & Testing	398,096	-	65,659	85,180	42,590	591,525
519033	Shortway	Signal	Grade Crossing Rehabilitation	551,385	229,840	128,859	167,155	-	1,077,239
519034	Shortway	Facilities	EMF Improvement	450,606	187,831	105,307	136,604	-	880,348
519040	Systemwide	Communications	PTC Software Updates	732,897	-	120,879	156,816	78,408	1,089,000
519041	Systemwide	Facilities	PTC Lab Systems Support & Testing	1,029,828	166,127	197,253	255,895	127,948	1,777,050
519050	Systemwide	Rolling Stock	Bombardier Midlife Overhaul	12,743,081	748,886	2,225,273	2,886,840	1,443,420	20,047,500
519051	Systemwide	Rolling Stock	Locomotive & Cab Car Camera & DVR Replc	517,216	215,597	120,865	156,798	78,399	1,088,876
519052	Systemwide	Rolling Stock	Overhaul ROTEM Side Door Motors	271,569	113,202	63,461	82,328	41,164	571,725
519053	Systemwide	Rolling Stock	HAVC Overhaul - 40 ROTEM Cars	522,965	217,994	122,209	158,541	79,270	1,100,979
519054	Systemwide	Rolling Stock	Rubber Window Gaskets Replc - 50 ROTEM	312,951	130,451	73,132	94,874	47,437	658,845
519055	Systemwide	Rolling Stock	Push Back Coupler Overhaul - ROTEM	1,639,762	683,522	383,186	497,107	248,553	3,452,130
519060	Systemwide	Facilities	CMF Car Shop Jacks	449,285	109,622	92,182	119,588	59,794	830,471

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
519061	Systemwide	Facilities	CMF Public Address System	79,753	-	13,154	17,064	8,532	118,503
519062	Systemwide	Facilities	Renovate Restrooms CMF & MOC	428,304	178,535	100,088	129,844	64,922	901,692
519063	Systemwide	Vehicle	MOW Vehicle Replacement	1,083,829	128,759	199,996	259,455	129,727	1,801,765
519064	Systemwide	Facilities	Station Envelope Repairs/Replacement	269,973	129,611	53,995	86,427	53,995	594,000
519070	Systemwide	IT	Switch Equipment Replacement	117,421	48,946	27,440	35,597	17,799	247,203
519090	Systemwide	Track	Enterprise Asset Management Migration	553,484	230,716	129,341	167,793	83,897	1,165,230
519091	Systemwide	IT	TVM Components	94,050	39,204	21,978	28,512	14,256	198,000
519092	Systemwide	IT	Condition Based Maintenance Test Equipment	50,720	-	8,366	10,852	5,426	75,364
519093	Systemwide	IT	Maximo Asset Management System Upgrade	661,456	-	109,096	141,530	70,765	982,847
519120	Ventura - VC County	Structures	Arroyo Simi 1st Crossing Scour Protection	-	-	-	-	1,504,755	1,504,755
519130	Ventura - VC County	Structures	Grade Crossing & Tunnel 26 Electrical Rplc	-	-	-	-	1,008,137	1,008,137
519140	Ventura - VC County	Structures	Wayside Communication System Replacement	-	-	-	-	86,624	86,624
519160	Ventura - VC County	Structures	Replace Moorpark Trailer (Crew Base)	-	-	-	-	1,527,187	1,527,187
519210	Ventura - LA County	Track	Track Rehabilitation	1,539,501	-	-	-	-	1,539,501
519211	Ventura - LA County	Track	Station Pedestrian Crossing	248,292	-	-	-	-	248,292
519220	Ventura - LA County	Track	ROW Grading/Ditching	221,612	-	-	-	-	221,612
519230	Ventura - LA County	Signal	Tunnel 26 Electrical Service Replacement	355,123	-	-	-	-	355,123
519240	Ventura - LA County	Communications	Wayside Communication System Replacement	49,500	-	-	-	-	49,500
519310	Valley	Track	Tunnel 25 Track Rehab	742,138	-	-	-	-	742,138
519320	Valley	Track	ROW Grading/Ditching	221,612	-	-	-	-	221,612
519330	Valley	Signal	Signal Rehabilitation	695,435	-	-	-	-	695,435
519340	Valley	Communications	Wayside Communication System Replacement	99,000	-	-	-	-	99,000
519410	San Gabriel	Track	Track Rehabilitation	2,565,189	-	-	1,710,126	-	4,275,315
519411	San Gabriel	Track	Replace Turnouts	1,391,089	-	-	927,392	-	2,318,481
519420	San Gabriel	Structures	Bridge Replacement	459,756	-	-	306,504	-	766,260
519430	San Gabriel	Signal	Signal Rehabilitation	2,225,350	-	-	1,483,566	-	3,708,916
519440	San Gabriel	Communications	Wayside Communication Replacement Parts	193,050	-	-	128,700	-	321,750
519510	Orange & Olive	Track	Track Rehabilitation	-	5,168,790	-	-	-	5,168,790
519520	Orange & Olive	Track	ROW Grading/Ditching	-	207,653	-	-	-	207,653
519620	Orange	Structures	San Juan Creek Bridge Replacement	-	17,402,153	-	-	-	17,402,153
519621	Orange	Structures	Bridge Replacement Design MP200.2	-	989,901	-	-	-	989,901
519630	Orange	Signal	Signal Rehabilitation	-	1,497,132	-	-	-	1,497,132
519640	Orange	Communications	Communication Rehabilitation	-	346,356	-	-	-	346,356
519710	River	Track	LAUS Rehabilitation	1,253,920	-	206,813	268,298	134,149	1,863,180
519711	River	Track	Track Rehabilitation	1,330,337	554,541	310,879	403,302	201,651	2,800,710
519712	River	Track	LAUS Track & Signal Rehabilitation	2,363,006	985,001	552,197	716,364	358,182	4,974,750
519730	River	Signal	Signal Rehabilitation	1,589,612	111,222	280,524	363,923	181,961	2,527,242
519731	River Sub - East Bank	Signal	Signal Rehabilitation - River EB Zone 2	73,586	30,674	17,196	22,308	11,154	154,918
519732	River Sub - West Bank	Signal	Signal Rehabilitation - River WB Phase 1	1,557,563	371,528	318,171	412,763	206,381	2,866,406
519733	River Sub - East Bank	Signal	Replace AC Meter - River EB Zone 1	2,715	1,132	634	823	411	5,715

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
519740	River Sub - West Bank	Communications	Communication Rehabilitation - River WB	118,801	21,748	23,181	30,073	15,037	208,841
519741	River Sub - East Bank	Communications	Communication Rehabilitation - River EB	9,367	3,905	2,189	2,840	1,420	19,720
519760	Systemwide	Facilities	LAUS West Portal Ticket Booth Expansion	284,501	118,592	66,483	86,249	43,124	598,950
519910	Perris Valley	Track	Track Rehabilitation	-	-	3,220,623	-	-	3,220,623
519911	Perris Valley	Structures	Box Springs Area Drainage Assessment	-	-	197,374	-	-	197,374
519940	Perris Valley	Communications	Communication Rehabilitation	-	-	123,748	-	-	123,748
591702	Ventura - LA County	Track	ROW Grading/Ditching	-	-	-	-	8,337	8,337
591704	Ventura - LA County	Signal	Signal Rehabilitation	-	-	-	-	719	719
591705	Systemwide	Facilities	CMF & EMF Material Hand Equipment	40,619	16,931	9,492	12,314	6,156	85,512
591706	Systemwide	Vehicle	Field Support Vehicle	179,340	74,756	41,909	54,368	27,184	377,557
591707	Systemwide	Communications	Replacement Switch Equipment	5,187	2,162	1,212	1,573	787	10,921
591708	River	Track	ROW Grading	21,675	9,035	5,065	6,571	3,285	45,631
591709	Systemwide	Rolling Stock	Sentinel LED Light Replacement	87,367	36,418	20,416	26,486	13,243	183,931
591710	Ventura - VC County	Facilities	Moorpark Layover Hrdngd	-	-	-	-	174,113	174,113
591711	Ventura - VC County	Track	Moorpark Pedestrian Crossing Pnls	-	-	-	-	38,798	38,798
591712	San Gabriel	Track	Sierra Avenue Grace Crossing	19,074	-	-	9,187	-	28,261
591713	San Gabriel	Track	Juniper Avenue Grade Crossing	33,760	-	-	16,441	-	50,201
591714	Orange	Communications	Laguna Niguel Station CIS	-	26,892	-	-	-	26,892
591801	Orange	Facilities	Marine Sec Improvements	-	22,898	-	-	-	22,898
591804	Ventura - VC County	Facilities	Safety Improvements	-	-	-	-	243,912	243,912
591805	San Gabriel	Communications	Conduit Discovery	-	-	-	8,485	-	8,485
591901	Valley	Track	Tunnel 25 Urgent Rehabilitation	62,454	-	-	-	-	62,454
591902	Orange	Track	Slope Stabilization	-	1,682,933	-	-	-	1,682,933
592110	Ventura - VC County	Track	Track State of Good Repair	-	-	-	-	92,324	92,324
592111	Ventura - VC County	Track	Turnout at CP Santa Susana	-	-	-	-	227,141	227,141
592112	Ventura - VC County	Track	Katherine Road Crossing	-	-	-	-	309,783	309,783
592120	Ventura - VC County	Structures	Bridge and Culvert Rehab	-	-	-	-	1,103,547	1,103,547
592210	Ventura - LA County	Track	Tie & Turnout Replacement	396,583	-	-	-	-	396,583
592220	Ventura - LA County	Structures	Bridge MP 458.71	1,477,300	-	-	-	-	1,477,300
592221	Systemwide	Structures	SOGR Bridge Design	634	-	-	-	-	634
592320	Valley	Structures	Bridge MP 50.64	614,170	-	-	-	-	614,170
592321	Valley	Structures	Bridge MP 50.51	628,651	-	-	-	-	628,651
592322	Valley	Structures	Bridge MP 50.77	632,654	-	-	-	-	632,654
592323	Valley	Structures	Bridge MP 47.45	370,098	-	-	-	-	370,098
592324	Valley	Structures	Bridge MP 50.46	632,284	-	-	-	-	632,284
592326	Valley	Structures	Culvert MP 53.84	35,883	-	-	-	-	35,883
592327	Valley	Structures	Culvert MP 54.13	19,710	-	-	-	-	19,710
592328	Valley	Structures	Culvert MP 66.78	256,779	-	-	-	-	256,779
592420	San Gabriel	Structures	Replacement Bridge MP 40.12 SOGR	681,974	-	-	454,650	-	1,136,624
592711	River	Track	Replacement CP Taylor Turnouts	80,038	33,363	18,704	24,264	12,132	168,502

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
592712	River Sub - East Bank	Track	Rail & Tie - East Bank Zone 1	46,124	19,226	10,768	13,990	6,995	97,103
592713	River Sub - East Bank	Track	Turnouts SOGR - EB Zone 2	32,843	13,694	7,679	9,954	4,987	69,157
593220	Ventura - LA County	Structures	Bridge 452.1	697,752	-	-	-	-	697,752
593310	Valley	Track	LANG,ACTN TO,Ties	1,138,159	-	-	-	-	1,138,159
593320	Valley	Structures	Bridge SOGR Phase 2	5,941,161	-	-	-	-	5,941,161
593321	Valley	Structures	Culverts SOGR Phase 2	130,202	-	-	-	-	130,202
593410	San Gabriel	Track	Lark Ellen Crossing	198,768	-	-	132,511	-	331,280
<b>TOTAL</b>				<b>70,685,151</b>	<b>43,232,103</b>	<b>13,471,624</b>	<b>17,599,076</b>	<b>14,316,904</b>	<b>159,304,859</b>



METROLINK

FY2019-20 NEW CAPITAL CARRYOVER PROJECTS

PROJECT #	SUBDIVISION	CATEGORY	PROJECT NAME	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL CARRYOVER
414002	Valley	Track	Vinct/Acton 2nd Platform-Const	191,244	-	-	-	-	191,244
417005	San Gabriel	Track	Sierra Avenue Grade Crossing Improvement	-	-	-	89,036	-	89,036
417006	San Gabriel	Track	Juniper Avenue Grade Crossing Improvement	-	-	-	83,694	-	83,694
417007	Orange	Signal	CP 4th Street, Santa Ana	-	986,262	-	-	-	986,262
418002	Orange	Facilities	OCMF Project Study Report	-	59,511	-	-	-	59,511
418003	Orange	Signal	San Juan Capistrano Siding	-	3,788,651	-	-	-	3,788,651
418004	San Gabriel	Communication	Redlands Pass Rail PTC	-	-	-	5,117,707	-	5,117,707
418005	River	Track	CMF N END Connect Des	759,069	316,412	177,382	230,118	-	1,482,981
419001	Orange	Facilities	Irvine Maintenance Facility Phase I	-	198,000	-	-	-	198,000
419002	Perris Valley	Communication	Santiago Peak Microwaves	-	-	198,000	-	-	198,000
419003	Riverside	Structures	Riverside Layover Facility	-	-	167,706	-	-	167,706
491901	San Bernardino	Communication	LCD Signs	-	-	-	22,938	-	22,938
618001	Systemwide	IT	Ticket Vending Machine Replacement	9,839,485	1,859,158	3,619,066	2,979,891	4,751,913	23,049,514
TBD	Systemwide	Business Systems	Project Studies	60,300	218,450	122,400	158,950	7,900	568,000
<b>TOTAL</b>				<b>10,850,098</b>	<b>7,426,444</b>	<b>4,284,555</b>	<b>8,682,335</b>	<b>4,759,813</b>	<b>36,003,245</b>



REHABILITATION PROJECT PROPOSALS FOR FY2020 BUDGET - 04/18/19

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ROW #	CREATOR	PROJECT #	TYPE	SUBDIVISION	MILE POSTS	CONDITION	IMPACT	ASSET TYPE	PROJECT	TOTAL ORIGINAL REQUEST	FUNDED REQUEST					TOTAL FUNDED REQUEST
											METRO	OCTA	RCTC	SBCTA	VCTC	
1	BUSHMANM	1899	Rehab	Valley	3.67 - 76.63	Worn	High	Track	Valley Subdivision Track Rehabilitation	10,820,000	9,674,706	-	-	-	-	9,674,706
2	BUSHMANM	1900	Rehab	San Gabriel	1.08 - 33.68	Worn	High	Track	San Gabriel Subdivision Track Rehabilitation	7,280,000	4,368,000	-	-	2,912,000	-	7,280,000
3	BUSHMANM	1901	Rehab	Ventura - LA County	441.24 - 462.39	Worn	High	Track	Ventura Subdivision (LA) Track Rehabilitation	3,910,000	2,296,800	-	-	-	-	2,296,800
4	BUSHMANM	1902	Rehab	Orange	165.08 - 212.30	Worn	High	Track	Orange/Olive Subdivision Track Rehabilitation	7,230,000	-	7,230,000	-	-	-	7,230,000
5	BUSHMANM	1906	Rehab	Ventura - VC County	426.4 - 441.24	Worn	High	Track	Ventura Subdivision (VC) Track Rehabilitation	1,870,000	-	-	-	-	1,870,000	1,870,000
6	LABRECHP	1920	Rehab	Ventura - LA County	444.4 - 462.16	Worn	High	Signals	Signal System Rehabilitation - LA County	2,931,960	-	-	-	-	-	-
7	LABRECHP	1921	Rehab	Ventura - VC County	426.4 - 442.62	Worn	High	Signals	Signal System Rehabilitation - Ventura County	1,755,870	-	-	-	-	1,755,870	1,755,870
8	LABRECHP	1922	Rehab	Ventura - LA County	445.17 - 461.46	Worn	High	Signals	Grade Crossing Warning System Rehabilitation - LA County	2,248,260	-	-	-	-	-	-
9	LABRECHP	1923	Rehab	Ventura - VC County	426.97 - 444.67	Worn	High	Signals	Grade Crossing Warning System Rehabilitation - Ventura County	2,022,480	-	-	-	-	2,022,480	2,022,480
10	HARRINGTONG	1928	Rehab	All	N/A	Marginal	Low	Rolling Stock	Overhaul Rotem Car Side Door Mechanisms & Components	621,460	295,194	123,049	68,982	89,490	44,745	621,460
11	HARRINGTONG	1929	Rehab	All	N/A	Marginal	Low	Rolling Stock	HVAC Overhaul for Forty (40) Rotem Passenger Cars Phase II	1,301,110	618,027	257,620	144,423	187,360	93,680	1,301,110
12	STEWARTM	1930	Rehab	All	N/A	Worn	High	Rolling Stock	Gen 1 HVAC Overhaul (Additional 40 Cars)	928,000	440,800	183,744	103,008	133,632	66,816	928,000
13	LABRECHP	1931	Rehab	Valley	4.8 - 76.62	Worn	High	Signals	Signal System Rehabilitation - Valley Subdivision	3,980,400	1,609,745	-	-	-	-	1,609,745
14	LABRECHP	1932	Rehab	Valley	5.81 - 76.05	Worn	High	Signals	Grade Crossing Warning System Rehabilitation - Valley Subdivision	2,171,030	695,984	-	-	-	-	695,984

ROW #	CREATOR	PROJECT #	TYPE	SUBDIVISION	MILE POSTS	CONDITION	IMPACT	ASSET TYPE	PROJECT	TOTAL ORIGINAL REQUEST	FUNDED REQUEST					TOTAL FUNDED REQUEST
											METRO	OCTA	RCTC	SBCTA	VCTC	
15	LABRECHEP	1934	Rehab	San Gabriel	1.90 - 57.6	Worn	High	Signals	Signal System Rehabilitation - San Gabriel Subdivision LA/SB County	1,411,330	846,798	-	-	564,532	-	1,411,330
16	LABRECHEP	1935	Rehab	San Gabriel	12.70 - 55.24	Worn	High	Signals	Grade Crossing Warning System Rehabilitation - LA/SB County	4,548,035	2,728,821	-	-	1,819,214	-	4,548,035
17	LIBRINGD	1943	Rehab	Orange	165.08 - 212.30	Worn	High	Structures	Orange County - Structures Rehabilitation	2,380,000	-	2,380,000	-	-	-	2,380,000
18	CONLEYD	1944	Rehab	San Gabriel	1.08 - 57.66	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation San Gabriel	343,200	205,920	-	-	137,280	-	343,200
19	CONLEYD	1945	Rehab	Orange	165.08 - 212.30	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation Orange	601,700	-	601,700	-	-	-	601,700
20	CONLEYD	1946	Rehab	Valley	3.67 - 76.63	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation Valley	347,600	347,600	-	-	-	-	347,600
21	LIBRINGD	1947	Rehab	Ventura - VC County	426.4 - 441.24	Worn	High	Structures	Ventura County - Structures Rehabilitation	2,500,000	-	-	-	-	2,500,000	2,500,000
22	LIBRINGD	1948	Rehab	San Gabriel	1.08 - 56.52	Worn	High	Structures	San Gabriel Subdivision - Structures Rehabilitation	2,313,000	1,387,800	-	-	925,200	-	2,313,000
23	CONLEYD	1949	Rehab	Ventura - VC County	404.5 - 442.0	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation Ventura	189,475	-	-	-	-	189,475	189,475
24	LIBRINGD	1950	Rehab	Ventura - LA County	441.24 - 462.39	Worn	High	Structures	Ventura Subdivision - Los Angeles County - Structures Rehabilitation	2,854,000	-	-	-	-	-	-
25	LIBRINGD	1951	Rehab	Valley	3.67 - 76.63	Worn	High	Structures	Valley Subdivision - Los Angeles County - Structures Rehabilitation	6,406,750	-	-	-	-	-	-
26	CONLEYD	1952	Rehab	Ventura - LA County	442.0 - 462.39	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation Ventura (LA)	380,600	380,600	-	-	-	-	380,600
27	CONLEYD	1954	Rehab	San Jacinto (PVL)	65.0 - 85.40	Good	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation PVL	314,600	-	-	314,600	-	-	314,600
28	CONLEYD	1956	Rehab	River	0.0 - 485.20, 143.83	Marginal	High	Communications	ATCS/PTC/CIS/Backhaul Rehabilitation River	248,600	118,085	49,223	27,595	35,798	17,899	248,600
29	POGHOSYANE	1957	Rehab	All	N/A	Worn	High	Non-Revenue Fleet	MOW Vehicle Replacement	2,640,220	1,254,105	522,764	293,064	380,192	190,096	2,640,220
30	POGHOSYANE	1958	Rehab	All	N/A	Worn	Low	Facilities	Facilities Rehabilitation	3,095,000	1,470,125	612,810	343,545	445,680	222,840	3,095,000



ROW #	CREATOR	PROJECT #	TYPE	SUBDIVISION	MILE POSTS	CONDITION	IMPACT	ASSET TYPE	PROJECT	TOTAL ORIGINAL REQUEST	FUNDED REQUEST					TOTAL FUNDED REQUEST	
											METRO	OCTA	RCTC	SBCTA	VCTC		
31	POGHOSYANE	1959	Rehab	All	N/A	Worn	Low	Non-Revenue Fleet	MOW Total Loss Vehicle Replacement	508,000	241,300	100,584	56,388	73,152	36,576	508,000	
32	AZEVEDOA	1979	Rehab	All	N/A	Worn	High	Track	Rail Grinding FY20	979,000	465,025	193,842	108,669	140,976	70,488	979,000	
33	AZEVEDOA	1981	Rehab	All	N/A	Worn	High	Track	Systemwide Lubrication Study & Implementation	1,144,000	543,400	226,512	126,984	164,736	82,368	1,144,000	
34	HOLMANS	2004	Rehab	Valley	N/A	Worn	Low	Signals	Pedestrian Gates at Stations	1,500,015	1,500,015	-	-	-	-	1,500,015	
35	HOLMANS	2019	Rehab	All	N/A	Worn	Low	Non-Revenue Fleet	Overhaul Current Specialized MOW Equipment; Phase 1	1,000,020	475,010	198,004	111,002	144,003	72,001	1,000,020	
											<b>84,775,715</b>	<b>31,963,859</b>	<b>12,679,851</b>	<b>1,698,261</b>	<b>8,153,245</b>	<b>9,235,335</b>	<b>63,730,550</b>



NEW CAPITAL PROJECT PROPOSALS FOR FY2020 BUDGET - 04/18/19

VERSION 8: 04.18.19

ROW #	CREATOR	PROJECT #	TYPE	SUBDIVISION	MILE POSTS	CONDITION	IMPACT	ASSET TYPE	PROJECT	TOTAL ORIGINAL REQUEST	FUNDED REQUEST					TOTAL FUNDED REQUEST	
											METRO	OCTA	RCTC	SBCTA	VCTC		
1	LABRECHEP	1942	Capital	All	ALL	N/A	N/A	Signals	Purchase & Set-Up Trailerized Back-Up Generator Set	105,930	50,317	20,974	11,758	15,254	7,627	105,930	
2	HOLMANS	2001	Capital	All	N/A	Marginal	Low	Facilities	Specialized Maintenance Equipment, Phase 1	1,100,030	522,514	217,806	122,103	158,404	79,202	1,100,030	
3	HOLMANS	2082	Capital	San Jacinto (PVL)	N/A	N/A	N/A	Signals	Riverside Yard Switch	434,000	150,750	-	212,508	70,742	-	434,000	
4	HARRINGTONG	2080	Capital	All	N/A	Adequate	Low	Rolling Stock	MP36 Locomotive Overhaul & Tier IV Conversion	650,000	308,750	128,700	72,150	93,600	46,800	650,000	
5	HOLMANS	2081	Capital	All	N/A	N/A	N/A	Facilities	CMF and EMF modernization	750,000	356,250	148,500	83,250	108,000	54,000	750,000	
											<b>3,039,960</b>	<b>1,388,581</b>	<b>515,980</b>	<b>501,770</b>	<b>446,000</b>	<b>187,629</b>	<b>3,039,960</b>

**FY2020-21 Forecast - Operating Budget  
by Member Agency**

**ATTACHMENT J**

(000's)	METRO	OCTA	RCTC	SBCTA	VCTC	Total
<b>Operating Revenue</b>						
Farebox Revenue	\$ 43,955	\$ 24,935	\$ 8,321	\$ 10,119	\$ 2,428	\$ 89,757
Special Event Trains	99	55	46	19	5	224
Fare Reduction Subsidy	756	-	-	534	-	1,290
<b>Subtotal-Pro Forma FareBox</b>	<b>44,810</b>	<b>24,989</b>	<b>8,367</b>	<b>10,672</b>	<b>2,433</b>	<b>91,270</b>
Dispatching	1,156	739	8	66	270	2,237
Other Revenues	123	54	28	36	17	257
MOW Revenues	7,927	2,692	690	1,600	493	13,401
<b>Total Operating Revenue</b>	<b>54,015</b>	<b>28,474</b>	<b>9,092</b>	<b>12,373</b>	<b>3,212</b>	<b>107,166</b>
<b>Operating Expenses</b>						
<b>Operations &amp; Services</b>						
Train Operations	26,530	11,269	5,503	5,334	1,803	50,439
Equipment Maintenance	18,566	8,704	4,486	4,382	1,598	37,737
Fuel	11,259	6,191	2,394	2,288	648	22,780
Non-Scheduled Rolling Stock Repairs	83	38	16	18	5	160
Operating Facilities Maintenance	932	429	178	206	57	1,802
Other Operating Train Services	501	138	119	169	80	1,007
Special Trains	312	233	230	38	5	817
Rolling Stock Lease	109	46	26	33	17	230
Security - Sheriff	3,310	1,254	971	650	124	6,309
Security - Guards	1,247	453	391	276	262	2,628
Supplemental Additional Security	332	184	61	81	18	676
Public Safety Program	206	75	65	46	43	434
Passenger Relations	883	516	174	216	61	1,851
TVM Maintenance/Revenue Collection	3,645	1,854	1,406	1,087	512	8,503
Marketing	850	493	199	203	78	1,822
Media & External Communications	228	83	72	51	48	481
Utilities/Leases	1,304	474	409	289	273	2,748
Transfers to Other Operators	3,062	1,228	389	618	164	5,460
Amtrak Transfers	767	1,526	2	3	101	2,400
Station Maintenance	1,433	316	153	315	102	2,319
Rail Agreements	2,303	1,971	1,594	398	350	6,617
<b>Subtotal Operations &amp; Services</b>	<b>77,862</b>	<b>37,475</b>	<b>18,837</b>	<b>16,698</b>	<b>6,348</b>	<b>157,221</b>
<b>Maintenance-of-Way</b>						
MoW - Line Segments	25,814	9,869	3,628	6,771	2,947	49,029
MoW - Extraordinary Maintenance	434	106	71	79	51	740
<b>Subtotal Maintenance-of-Way</b>	<b>26,247</b>	<b>9,975</b>	<b>3,699</b>	<b>6,850</b>	<b>2,998</b>	<b>49,770</b>
<b>Administration &amp; Services</b>						
Ops Salaries & Fringe Benefits	7,288	2,658	2,279	1,614	1,523	15,362
Ops Non-Labor Expenses	4,591	1,997	994	1,032	442	9,055
Indirect Administrative Expenses	10,240	3,719	3,212	2,266	2,148	21,585
Ops Professional Services	1,917	696	601	424	402	4,041
<b>Subtotal Admin &amp; Services</b>	<b>24,036</b>	<b>9,070</b>	<b>7,086</b>	<b>5,338</b>	<b>4,515</b>	<b>50,044</b>
<b>Contingency</b>	<b>95</b>	<b>34</b>	<b>30</b>	<b>21</b>	<b>20</b>	<b>200</b>
<b>Total Operating Expenses</b>	<b>128,240</b>	<b>56,555</b>	<b>29,652</b>	<b>28,907</b>	<b>13,881</b>	<b>257,235</b>
<b>Insurance and Legal</b>						
Liability/Property/Auto	6,346	2,919	1,210	1,400	388	12,263
Net Claims / SI	533	245	102	118	33	1,030
Claims Administration	668	307	127	147	41	1,290
<b>Total Net Insurance and Legal</b>	<b>7,546</b>	<b>3,471</b>	<b>1,439</b>	<b>1,664</b>	<b>462</b>	<b>14,583</b>
<b>Total Expense</b>	<b>135,786</b>	<b>60,026</b>	<b>31,092</b>	<b>30,572</b>	<b>14,342</b>	<b>271,818</b>
<b>Member Subsidies</b>						
<b>Total Member Subsidies</b>	<b>\$ 81,771</b>	<b>\$ 31,553</b>	<b>\$ 21,999</b>	<b>\$ 18,199</b>	<b>\$ 11,130</b>	<b>\$ 164,652</b>

Numbers may not foot due to rounding.

**FY2021-22 Forecast - Operating Budget  
by Member Agency**

**ATTACHMENT K**

(000's)	METRO	OCTA	RCTC	SBCTA	VCTC	Total
<b>Operating Revenue</b>						
Farebox Revenue	\$ 44,614	\$ 25,309	\$ 8,446	\$ 10,271	\$ 2,464	\$ 91,103
Special Event Trains	102	56	47	19	6	231
Fare Reduction Subsidy	309	-	-	218	-	527
<b>Subtotal-Pro Forma FareBox</b>	<b>45,025</b>	<b>25,365</b>	<b>8,493</b>	<b>10,508</b>	<b>2,470</b>	<b>91,861</b>
Dispatching	1,190	761	8	68	278	2,305
Other Revenues	125	55	28	36	17	262
MOW Revenues	8,165	2,772	710	1,648	508	13,803
<b>Total Operating Revenue</b>	<b>54,505</b>	<b>28,953</b>	<b>9,240</b>	<b>12,260</b>	<b>3,272</b>	<b>108,230</b>
<b>Operating Expenses</b>						
<b>Operations &amp; Services</b>						
Train Operations	27,592	11,720	5,723	5,547	1,875	52,456
Equipment Maintenance	19,122	8,965	4,621	4,514	1,646	38,869
Fuel	11,007	6,053	2,340	2,237	633	22,270
Non-Scheduled Rolling Stock Repairs	83	38	16	18	5	160
Operating Facilities Maintenance	960	442	183	212	59	1,856
Other Operating Train Services	516	142	123	174	82	1,037
Special Trains	321	240	236	39	6	842
Rolling Stock Lease	-	-	-	-	-	-
Security - Sheriff	3,409	1,292	1,001	669	127	6,498
Security - Guards	1,284	466	403	284	269	2,707
Supplemental Additional Security	337	187	62	82	18	685
Public Safety Program	212	77	66	47	44	447
Passenger Relations	910	532	180	222	63	1,906
TVM Maintenance/Revenue Collection	3,754	1,909	1,449	1,119	527	8,759
Marketing	850	493	199	203	78	1,822
Media & External Communications	238	86	75	53	50	501
Utilities/Leases	1,330	483	417	294	279	2,803
Transfers to Other Operators	3,093	1,240	393	624	166	5,515
Amtrak Transfers	767	1,526	2	3	101	2,400
Station Maintenance	1,491	329	159	327	106	2,412
Rail Agreements	2,372	2,030	1,642	410	361	6,815
<b>Subtotal Operations &amp; Services</b>	<b>79,647</b>	<b>38,251</b>	<b>19,289</b>	<b>17,079</b>	<b>6,495</b>	<b>160,760</b>
<b>Maintenance-of-Way</b>						
MoW - Line Segments	26,846	10,264	3,774	7,042	3,065	50,990
MoW - Extraordinary Maintenance	451	110	73	82	53	770
<b>Subtotal Maintenance-of-Way</b>	<b>27,297</b>	<b>10,374</b>	<b>3,847</b>	<b>7,124</b>	<b>3,118</b>	<b>51,761</b>
<b>Administration &amp; Services</b>						
Ops Salaries & Fringe Benefits	7,652	2,791	2,393	1,695	1,599	16,131
Ops Non-Labor Expenses	4,728	2,057	1,024	1,063	455	9,327
Indirect Administrative Expenses	10,650	3,868	3,340	2,357	2,234	22,449
Ops Professional Services	1,975	717	619	437	414	4,163
<b>Subtotal Admin &amp; Services</b>	<b>25,005</b>	<b>9,433</b>	<b>7,377</b>	<b>5,553</b>	<b>4,702</b>	<b>52,069</b>
<b>Contingency</b>	<b>95</b>	<b>34</b>	<b>30</b>	<b>21</b>	<b>20</b>	<b>200</b>
<b>Total Operating Expenses</b>	<b>132,044</b>	<b>58,092</b>	<b>30,542</b>	<b>29,777</b>	<b>14,335</b>	<b>264,790</b>
<b>Insurance and Legal</b>						
Liability/Property/Auto	6,536	3,006	1,247	1,442	400	12,631
Net Claims / SI	549	253	105	121	34	1,061
Claims Administration	688	316	131	152	42	1,329
<b>Total Net Insurance and Legal</b>	<b>7,773</b>	<b>3,575</b>	<b>1,483</b>	<b>1,714</b>	<b>476</b>	<b>15,021</b>
<b>Total Expense</b>	<b>139,816</b>	<b>61,667</b>	<b>32,024</b>	<b>31,491</b>	<b>14,811</b>	<b>279,810</b>
<b>Member Subsidies</b>						
<b>Total Member Subsidies</b>	<b>\$ 85,311</b>	<b>\$ 32,714</b>	<b>\$ 22,784</b>	<b>\$ 19,231</b>	<b>\$ 11,539</b>	<b>\$ 171,580</b>

Numbers may not foot due to rounding.

**FY2022-23 Forecast - Operating Budget  
by Member Agency**

**ATTACHMENT L**

(000's)	METRO	OCTA	RCTC	SBCTA	VCTC	Total
<b>Operating Revenue</b>						
Farebox Revenue	\$ 45,596	\$ 25,865	\$ 8,631	\$ 10,496	\$ 2,518	\$ 93,107
Special Event Trains	105	58	49	20	6	238
Fare Reduction Subsidy	-	-	-	-	-	-
<b>Subtotal-Pro Forma FareBox</b>	<b>45,701</b>	<b>25,923</b>	<b>8,680</b>	<b>10,517</b>	<b>2,524</b>	<b>93,345</b>
Dispatching	1,226	783	9	70	286	2,374
Other Revenues	128	56	29	37	17	267
MOW Revenues	8,410	2,856	732	1,697	523	14,217
<b>Total Operating Revenue</b>	<b>55,464</b>	<b>29,619</b>	<b>9,449</b>	<b>12,320</b>	<b>3,350</b>	<b>110,203</b>
<b>Operating Expenses</b>						
<b>Operations &amp; Services</b>						
Train Operations	28,695	12,189	5,952	5,769	1,950	54,555
Equipment Maintenance	19,696	9,234	4,760	4,649	1,696	40,035
Fuel	10,755	5,914	2,286	2,186	619	21,760
Non-Scheduled Rolling Stock Repairs	84	38	16	18	5	162
Operating Facilities Maintenance	989	455	189	218	61	1,911
Other Operating Train Services	531	146	126	180	85	1,068
Special Trains	331	247	243	40	6	867
Rolling Stock Lease	-	-	-	-	-	-
Security - Sheriff	3,511	1,331	1,031	690	131	6,693
Security - Guards	1,323	480	415	293	277	2,788
Supplemental Additional Security	344	191	63	84	18	700
Public Safety Program	218	79	68	48	46	460
Passenger Relations	937	548	185	229	65	1,963
TVM Maintenance/Revenue Collection	3,867	1,967	1,492	1,153	543	9,021
Marketing	850	493	199	203	78	1,822
Media & External Communications	249	91	78	55	52	526
Utilities/Leases	1,370	498	430	303	287	2,888
Transfers to Other Operators	3,155	1,265	401	636	169	5,625
Amtrak Transfers	767	1,526	2	3	101	2,400
Station Maintenance	1,565	345	167	344	111	2,533
Rail Agreements	2,444	2,091	1,691	422	372	7,020
<b>Subtotal Operations &amp; Services</b>	<b>81,680</b>	<b>39,128</b>	<b>19,795</b>	<b>17,523</b>	<b>6,671</b>	<b>164,797</b>
<b>Maintenance-of-Way</b>						
MoW - Line Segments	27,920	10,675	3,924	7,324	3,187	53,030
MoW - Extraordinary Maintenance	474	116	77	86	56	809
<b>Subtotal Maintenance-of-Way</b>	<b>28,394</b>	<b>10,790</b>	<b>4,002</b>	<b>7,410</b>	<b>3,243</b>	<b>53,839</b>
<b>Administration &amp; Services</b>						
Ops Salaries & Fringe Benefits	8,035	2,930	2,513	1,780	1,679	16,937
Ops Non-Labor Expenses	4,870	2,118	1,054	1,095	469	9,607
Indirect Administrative Expenses	11,076	4,023	3,474	2,451	2,323	23,347
Ops Professional Services	2,034	739	638	450	427	4,288
<b>Subtotal Admin &amp; Services</b>	<b>26,015</b>	<b>9,810</b>	<b>7,679</b>	<b>5,777</b>	<b>4,898</b>	<b>54,178</b>
<b>Contingency</b>	<b>95</b>	<b>34</b>	<b>30</b>	<b>21</b>	<b>20</b>	<b>200</b>
<b>Total Operating Expenses</b>	<b>136,183</b>	<b>59,763</b>	<b>31,505</b>	<b>30,730</b>	<b>14,832</b>	<b>273,014</b>
<b>Insurance and Legal</b>						
Liability/Property/Auto	6,732	3,097	1,284	1,485	412	13,010
Net Claims / SI	565	260	108	125	35	1,093
Claims Administration	701	323	134	155	43	1,355
<b>Total Net Insurance and Legal</b>	<b>7,999</b>	<b>3,679</b>	<b>1,526</b>	<b>1,764</b>	<b>489</b>	<b>15,458</b>
<b>Total Expense</b>	<b>144,182</b>	<b>63,443</b>	<b>33,031</b>	<b>32,495</b>	<b>15,321</b>	<b>288,472</b>
<b>Member Subsidies</b>						
<b>Total Member Subsidies</b>	<b>\$ 88,718</b>	<b>\$ 33,824</b>	<b>\$ 23,581</b>	<b>\$ 20,174</b>	<b>\$ 11,971</b>	<b>\$ 178,269</b>

Numbers may not foot due to rounding.

**FY2023-24 Forecast - Operating Budget  
by Member Agency**

**ATTACHMENT M**

(000's)	METRO	OCTA	RCTC	SBCTA	VCTC	Total
<b>Operating Revenue</b>						
Farebox Revenue	\$ 46,553	\$ 26,408	\$ 8,813	\$ 10,717	\$ 2,571	\$ 95,063
Special Event Trains	108	60	50	21	6	245
Fare Reduction Subsidy	-	-	-	-	-	-
<b>Subtotal-Pro Forma FareBox</b>	<b>46,661</b>	<b>26,468</b>	<b>8,863</b>	<b>10,738</b>	<b>2,577</b>	<b>95,307</b>
Dispatching	1,263	807	9	72	294	2,445
Other Revenues	130	58	30	38	18	273
MOW Revenues	8,662	2,941	754	1,748	539	14,644
<b>Total Operating Revenue</b>	<b>56,716</b>	<b>30,274</b>	<b>9,655</b>	<b>12,595</b>	<b>3,428</b>	<b>112,669</b>
<b>Operating Expenses</b>						
<b><u>Operations &amp; Services</u></b>						
Train Operations	29,843	12,676	6,190	6,000	2,028	56,737
Equipment Maintenance	20,287	9,511	4,902	4,789	1,747	41,236
Fuel	10,503	5,776	2,233	2,134	604	21,250
Non-Scheduled Rolling Stock Repairs	84	39	16	19	5	163
Operating Facilities Maintenance	1,019	469	194	225	62	1,969
Other Operating Train Services	547	151	130	185	87	1,100
Special Trains	341	254	251	41	6	893
Rolling Stock Lease	-	-	-	-	-	-
Security - Sheriff	3,616	1,371	1,062	710	135	6,894
Security - Guards	1,362	495	427	302	286	2,872
Supplemental Additional Security	351	195	65	85	19	715
Public Safety Program	225	82	71	50	47	474
Passenger Relations	965	564	191	236	67	2,022
TVM Maintenance/Revenue Collection	3,983	2,026	1,537	1,188	559	9,292
Marketing	850	493	199	203	78	1,822
Media & External Communications	262	95	82	58	55	552
Utilities/Leases	1,411	512	443	312	296	2,974
Transfers to Other Operators	3,218	1,290	409	649	172	5,738
Amtrak Transfers	767	1,526	2	3	101	2,400
Station Maintenance	1,644	363	175	361	117	2,659
Rail Agreements	2,517	2,154	1,742	435	383	7,230
<b>Subtotal Operations &amp; Services</b>	<b>83,795</b>	<b>40,041</b>	<b>20,320</b>	<b>17,984</b>	<b>6,854</b>	<b>168,992</b>
<b><u>Maintenance-of-Way</u></b>						
MoW - Line Segments	29,037	11,102	4,081	7,617	3,315	55,151
MoW - Extraordinary Maintenance	497	121	81	91	59	849
<b>Subtotal Maintenance-of-Way</b>	<b>29,534</b>	<b>11,223</b>	<b>4,162</b>	<b>7,707</b>	<b>3,374</b>	<b>56,000</b>
<b><u>Administration &amp; Services</u></b>						
Ops Salaries & Fringe Benefits	8,436	3,077	2,639	1,869	1,763	17,784
Ops Non-Labor Expenses	5,016	2,182	1,086	1,128	483	9,895
Indirect Administrative Expenses	11,519	4,184	3,613	2,549	2,416	24,280
Ops Professional Services	2,095	761	657	464	439	4,416
<b>Subtotal Admin &amp; Services</b>	<b>27,066</b>	<b>10,203</b>	<b>7,994</b>	<b>6,010</b>	<b>5,101</b>	<b>56,376</b>
<b><u>Contingency</u></b>	<b>97</b>	<b>35</b>	<b>30</b>	<b>21</b>	<b>20</b>	<b>204</b>
<b>Total Operating Expenses</b>	<b>140,492</b>	<b>61,503</b>	<b>32,507</b>	<b>31,722</b>	<b>15,349</b>	<b>281,572</b>
<b>Insurance and Legal</b>						
Liability/Property/Auto	6,934	3,190	1,323	1,529	424	13,400
Net Claims / SI	582	268	111	128	36	1,126
Claims Administration	715	329	136	158	44	1,382
<b>Total Net Insurance and Legal</b>	<b>8,232</b>	<b>3,787</b>	<b>1,570</b>	<b>1,816</b>	<b>504</b>	<b>15,908</b>
<b>Total Expense</b>	<b>148,724</b>	<b>65,289</b>	<b>34,077</b>	<b>33,538</b>	<b>15,852</b>	<b>297,481</b>
<b>Member Subsidies</b>						
<b>Total Member Subsidies</b>	<b>\$ 92,007</b>	<b>\$ 35,015</b>	<b>\$ 24,422</b>	<b>\$ 20,943</b>	<b>\$ 12,424</b>	<b>\$ 184,812</b>

Numbers may not foot due to rounding.

Preview to the Public Hearing on  
Orange County Transportation  
Authority's Fiscal Year 2019-20  
Budget and Personnel and Salary  
Resolution

# Budget Themes

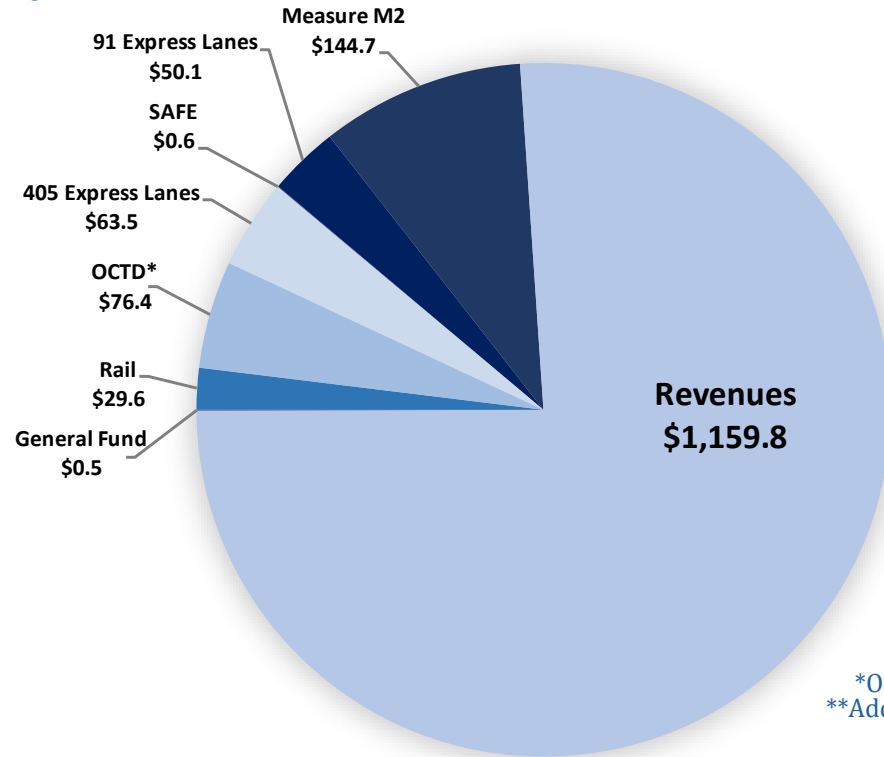
- Balanced budget reflects Board of Directors (Board) and Chief Executive Officer (CEO) Initiatives
- Delivers on Capital Projects
  - Interstate 405 Improvement Project
  - Interstate 5 improvement projects in both South County and Central County
  - OC Streetcar construction, vehicle delivery, and operations and maintenance contract
- Continuation of OC Bus 360°
  - No fare increase
  - Consumed fixed-route revenue hours to increase by 1.4 percent to 1.63 million based on the first full year of operations for Bravo! Route 529
  - Continuation of OC Flex on-demand micro transit pilot service



# Budget Overview

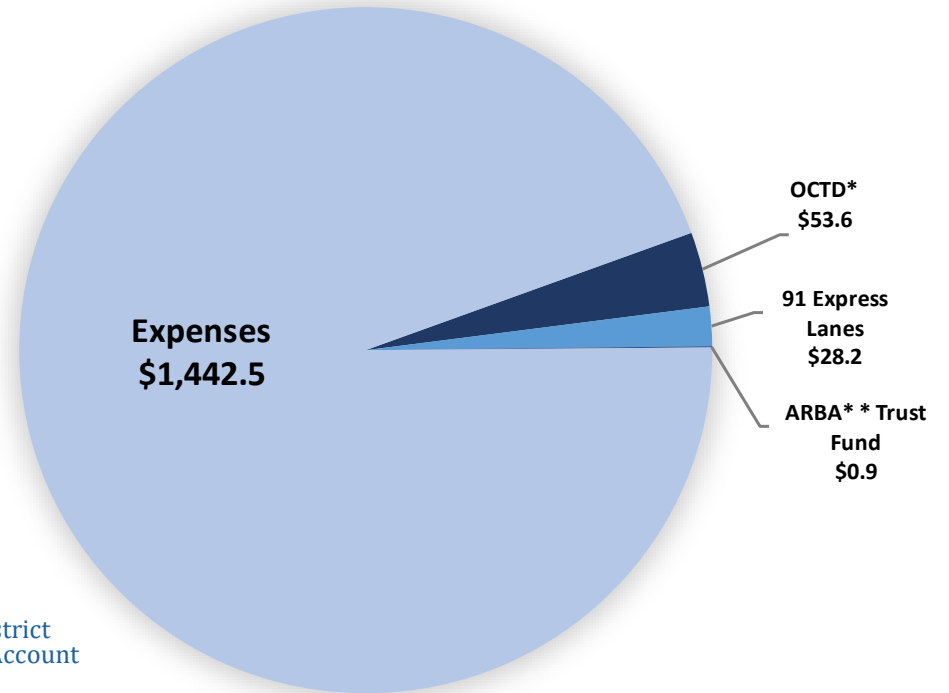
Use of Prior Year  
Designations  
\$365.4 million

## Source of Funds \$1,525.2 million



## Use of Funds \$1,525.2 million

Designations  
\$82.7 million



\*Orange County Transit District  
\*\*Additional Retiree Benefit Account

# Budget Sources and Uses

In Millions Sources	FY* 2018-19 Approved Budget	FY* 2019-20 Proposed Budget	Change \$	Change %
Revenues	\$ 1,068.1	\$ 1,159.8	\$ 91.7	8.6%
Use of Prior Year Designations	237.8	365.4	127.6	53.7%
<b>Total Revenue / Use of Designations</b>	<b>\$ 1,305.9</b>	<b>\$ 1,525.2</b>	<b>\$ 219.3</b>	<b>16.8%</b>
Uses				
Salaries and Benefits	\$ 163.6	\$ 169.7	\$ 6.1	3.7%
LOSSAN** Salaries and Benefits	2.4	2.7	0.3	12.5%
Services and Supplies	328.3	373.6	45.3	13.8%
Contributions to Other Agencies	189.9	169.7	(20.2)	-10.6%
Interest/Debt Service	56.6	59.0	2.4	4.2%
Capital	484.8	667.8	183.0	37.7%
Designations	80.3	82.7	2.4	3.0%
<b>Total Expenditures / Designations</b>	<b>\$ 1,305.9</b>	<b>\$ 1,525.2</b>	<b>\$ 219.3</b>	<b>16.8%</b>

\*Fiscal Year

\*\*Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency

# Staffing Levels

OCTA Staffing	FY 2018-19 FTE*	FY 2019-20 FTE*	FY 2019-20 New Hires	FY 2019-20 Reductions	Difference
<b>Administrative</b>	<b>493.0</b>	<b>498.5</b>	<b>5.5</b>	-	<b>5.5</b>
<b>Union</b>	<b>847.0</b>	<b>834.0</b>	<b>2.0</b>	<b>(15.0)</b>	<b>(13.0)</b>
Coach Operators	639.0	634.0	-	(5.0)	(5.0)
Maintenance	171.0	163.0	2.0	(10.0)	(8.0)
Facility Technicians and Parts Clerks	37.0	37.0	-	-	-
<b>OCTA Positions</b>	<b>1,340.0</b>	<b>1,332.5</b>	<b>7.5</b>	<b>(15.0)</b>	<b>(7.5)</b>
<b>LOSSAN</b>	<b>13.0</b>	<b>14.0</b>	<b>1.0</b>	-	<b>1.0</b>
<b>Total Authority Positions</b>	<b>1,353.0</b>	<b>1,346.5</b>	<b>8.5</b>	<b>(15.0)</b>	<b>(6.5)</b>

\*Full-Time Equivalent

# Employee Compensation Assumptions

- Employees Subject to Collective Bargaining Agreement
  - Coach Operators
    - Collective bargaining agreement effective through April 30, 2020
  - Maintenance
    - Collective bargaining agreement effective through September 30, 2019
  - Facilities technicians and parts clerks
    - Collective bargaining agreement effective through March 31, 2020
- Administrative Employees
  - Continue pay-for-performance program
  - Employees governed by the Personnel and Salary Resolution, which is approved annually as part of the budget

# Personnel and Salary Resolution

- Incorporates legal recommendations
- Minor clarifications
- Salary range adjustment of 2 percent
- Special performance award pool of 4 percent
- Merit pool of 4 percent
- Vacation benefit market adjustment

# Recommendations

- Approve by Resolution the Orange County Transportation Authority's (OCTA) Fiscal Year (FY) 2019-20 budget
- Approve the Personnel and Salary Resolution for FY 2019-20
- Authorize the CEO to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements
- Approval of FY 2019-20 OCTA member agency contribution to the Southern California Regional Rail Authority in an amount up to \$30,287,870, including authorization of Federal Transit Administration funds, in the amount up to \$8,500,000, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation, expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation expenditure budget. OCTA's portion of the costs for capital is \$515,980 and \$12,679,851 for rehabilitation.

# Next Steps

- Public Hearing – Board (public hearing and approval) June 10
- Back-up Public Hearing – Board (public hearing and approval) June 24