OCTA

October 23, 2024

To:	Finance and Administration Committee
From:	Darrell E. Johnson, Chief Executive Officer
Subject:	Fiscal Year 2023-24 Fourth Quarter Budget Status Report

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2023-24 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the fourth quarter of fiscal year 2023-24.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2023-24 Budget on June 12, 2023. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as approved by the Board in June was $1.69 billion. Sources of funds were comprised of $1.304 billion in current FY revenues and $395 million in use of prior year designations. Uses of funds were comprised of $1.651 billion of current FY expenditures and $48 million of designations.

The Board has approved two amendments through the fourth quarter, increasing the expense budget by $23.5 million. This increased the budget to $1.722 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2023	Adopted Budget	$ 1,698,470
10/9/2023	Independent Financial Audits of OCTA	965
11/27/2023	San Juan Creek Bridge Replacement Project	22,578
	Subtotal Amendments	*23,543*
	Total Working Budget	**$ 1,722,013**

*in thousands

Discussion

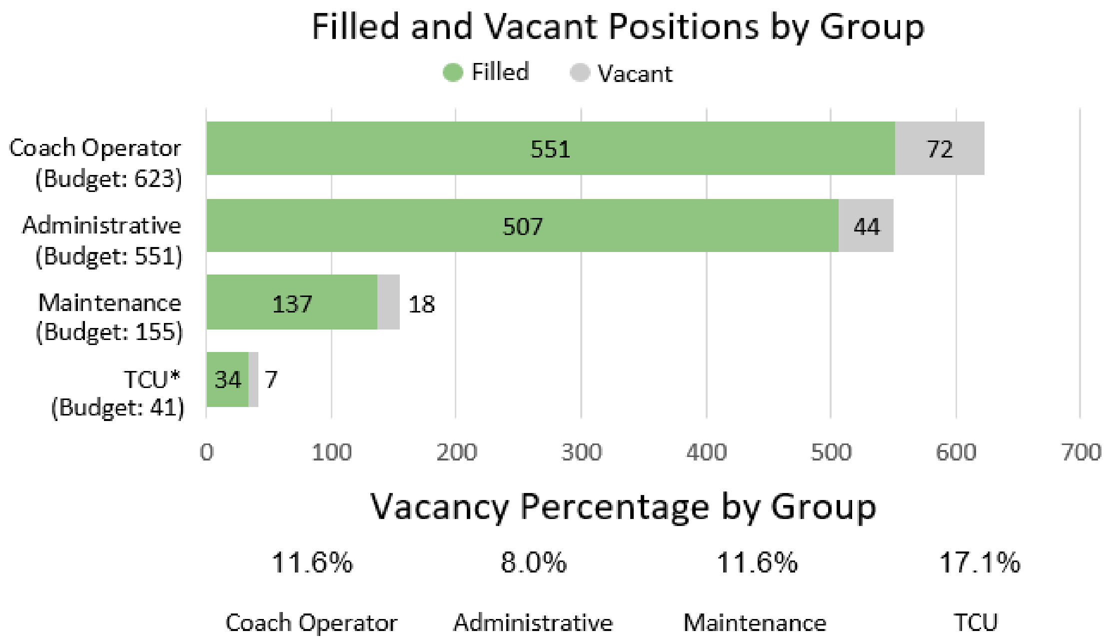
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

Staffing

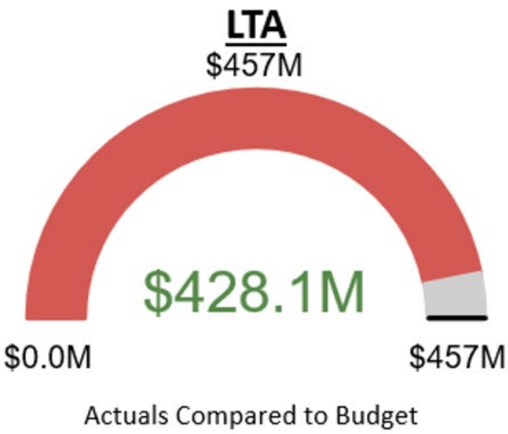
Total salaries and benefits were $29.2 million under the budget of $212.6 million. This is primarily due to staffing vacancies agency-wide and a one-time deferred compensation reconciliation payment, in the amount of $8 million, that was budgeted for in FY 2023-24 but was expensed in FY 2022-23.

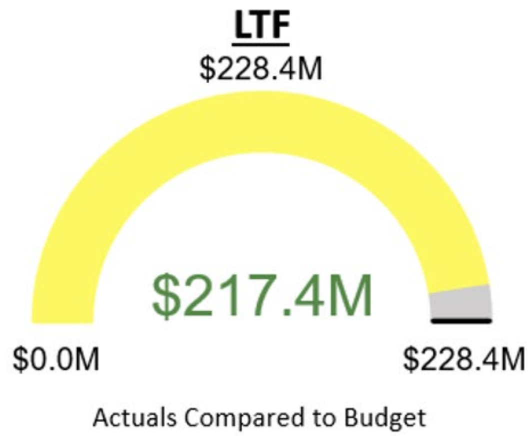


*TCU - Transportation Communications International Union

Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. Sales tax receipts underperformed the budget through the fourth quarter. LTA sales tax receipts of $428.1 million were $28.9 million lower than the budget and LTF sales tax receipts of $217.4 million were $11 million lower than the budget.





Major Programs

Bus Program

Bus Program operating revenue of $407.1 million was $13.8 million above budget. This was primarily due to prior year revenues received in the current year for federal operating assistance and state assistance, in addition to OCTA receiving larger than anticipated interest income. However, that was offset by sales tax coming in lower than anticipated. Bus Program operating expenses of $345.8 million were $47.5 million under the budget. Staffing vacancies in the coach operator and administrative groups as well as the deferred compensation reconciliation payment contributed $21.9 million to the underrun. In addition, there was an underrun of $23.1 million primarily due to lower than anticipated expenditures on contracted services as well as recurring as-needed services and supplies, such as fuel, maintenance parts, and marketing efforts, which can vary based on need.

Bus Program capital revenue of $156 million was $74.4 million lower than budget. This is due to capital revenues associated to capital expenses which came in lower than anticipated due to the timing of bus procurements and the Transit Security and Operations Center (TSOC) expenses, which have both been rebudgeted in FY 2024-25. Bus Program capital expenses were $166.9 million lower than the budget of $230.4 million primarily due to the timing of the procurement of fixed-route and paratransit vehicles, in the amount of $79.9 million, which have been postponed until FY 2024-25. In addition, the TSOC project, budgeted for $53.9 million, is in the process of procurement with expenditures anticipated to begin in FY 2024-25. Additionally, building improvements such as the metered electric switch gear, battery charging system, and others in the amount of $14.6 million have been rebudgeted for the next FY.

Rail Program

Rail Program operating revenue of $80.7 million was $8.6 million higher than the budget. This was primarily due to higher than anticipated interest earnings. Rail operating expenses came in $18.5 million lower than budgeted. This was primarily due to costs for the Placentia Metrolink Station that did not occur due to ongoing negotiations with BNSF Railway. The remaining variance was due to a reduction in the Metrolink operating subsidy, due to the availability of federal operating revenues directly drawn by Metrolink.

Rail Program capital revenue of $0.8 million was $4.4 million lower than budgeted. This was primarily due to less than anticipated revenue reimbursements based on lower capital expenses through the fourth quarter. Rail capital expenses came in $4.4 million lower than budgeted. This was primarily due to Metrolink drawing down additional external funds which lowered the contribution amount needed from OCTA to complete the design phase of the slope and drainage improvements for the Mission Viejo/Laguna Niguel project.

91 Express Lanes Program

The 91 Express Lanes Program operating revenue of $88.9 million exceeded the budget by $22.3 million, primarily due to higher trip volumes than anticipated during budget development. Operating expenses of $49.5 million were $17.1 million lower than the budget of $66.6 million, primarily due to the lower than anticipated expenses due to the timing and utilization of professional services.

The 91 Express Lanes Program capital revenue and expenses of $27.2 million was $3.1 million under budget. This was primarily due to the Electronic Toll and Traffic Management system, system maintenance and support, and the back-office system work not occurring at the time originally anticipated. These items have been rebudgeted in FY 2024-25.

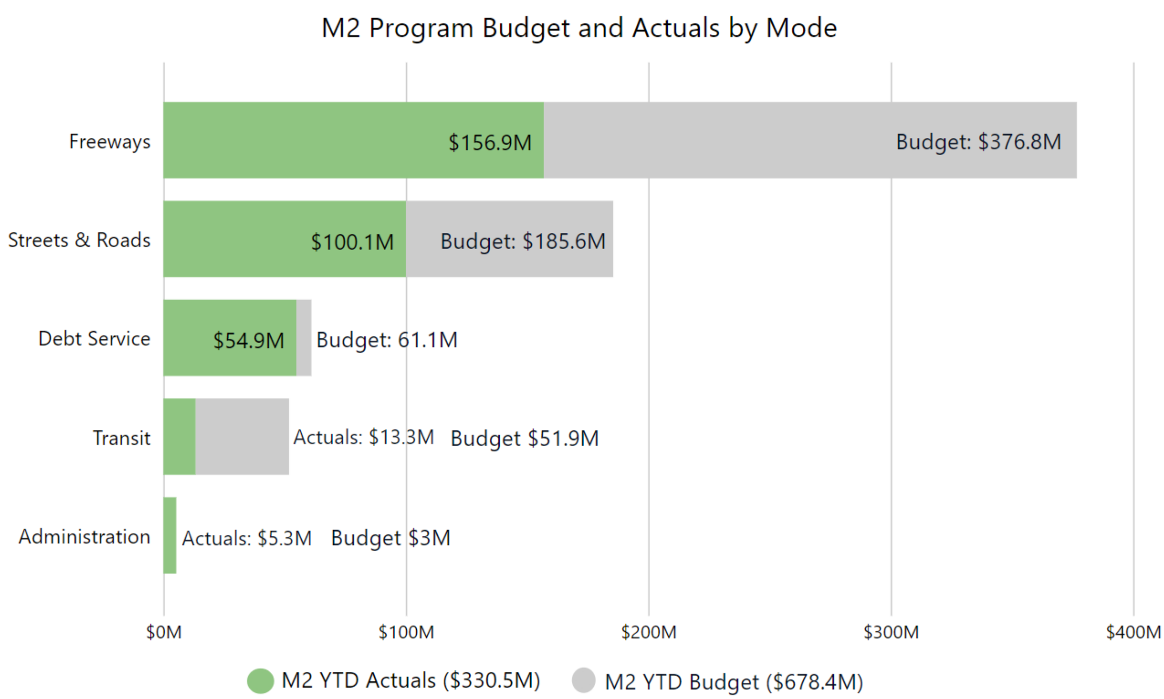
405 Express Lanes Program

The 405 Express Lanes Program operating revenue of $36.5 million underran the budget by $3.4 million, primarily due to lower than anticipated toll revenue due to a later start date than budgeted. Similarly, operating expenses of $9.4 million were $30.5 million lower than the budget of $39.9 million, primarily due to the refinancing of the Transportation Infrastructure Finance and Innovation Act loan and Express Lanes service beginning later than budgeted.

Motorist Services Program

Motorist services operating revenue of $13.4 million was $1.2 million over budget. This was primarily due to OCTA receiving prior year SB 1 (Chapter 5, Statutes of 2017) revenues in the current FY. Operating expenses were $0.6 million under the budget of $12.2 million. This was primarily due to lower than budgeted contracted tow service costs for Freeway Service Patrol.

M2 Program



Total actual expenses of $330.5 million for the M2 Program were $347.9 million lower than the budget, primarily due to the timing of construction and right-of-way (ROW) payments for freeway projects including the State Route 55 (SR-55) freeway improvements ($127.9 million), Interstate 405 (I-405) freeway project ($49.5 million), and Interstate 5 (I-5) to El Toro freeway project ($37.9 million). Additionally, the San Juan Creek Bridge replacement also contributed to the underrun ($26.6 million) due to Metrolink awarding the contract later than anticipated. Lastly, lower than anticipated contributions to the county and cities for the Regional Capacity Program ($47.7 million), Regional Traffic Signal Synchronization ($33.3 million), and Community-Based Transit Circulators ($8.6 million) contributed to the underrun.

Summary

Overall, revenue of $1,660.6 million was $61.4 million under budget. This was primarily due to lowered than anticipated sales tax receipts and capital revenue being tied to capital expenses which came in lower than anticipated for the timing of the procurement of fixed-route and paratransit vehicles, as well as the design and construction of the TSOC, which have been rebudgeted in FY 2024-25.

Operating expenses of $509.2 million were $305.2 million under budget, primarily due to the timing of expenses for freeway services, contributions to the county, cities, and local agencies for the Regional Capacity Program, San Juan Creek Bridge, and Regional Traffic Signal Synchronization. Additionally, contracted services, as-needed services and supplies, and paratransit services contributed to the underrun.

Capital expenses of $252.2 million were $442.8 million under budget, primarily due to the timing of construction and ROW expenses for the SR-55 Improvements, I-5 Santa Ana Project, and I-405 to El Toro Road improvements. In addition, the timing of procurement of revenue vehicles and the design and construction of the TSOC also contributed to the underrun.

Salaries and benefits of $183.4 million underran the budget by $29.2 million. This was primarily due to staffing vacancies in the coach operator and administrative groups as well as a one-time deferred compensation reconciliation payment, in the amount of $8 million, that was budgeted in FY 2023-24 but was expensed in FY 2022-23.

Attachment

A. FY 2023-24 Fourth Quarter Budget Status Summary

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