



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

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