



Orange County Transportation Authority

Finance and Administration Committee Agenda

Wednesday, March 26, 2025 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Mike Carroll
Jamey M. Federico
Carlos A. Leon
Vicente Sarmiento
Mark Tettemer

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

Agenda Descriptions

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.

Public Availability of Agenda Materials

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

Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person or access live streaming of the Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

In-Person Comment

Members of the public may attend in-person and address the Board regarding any item within the subject matter jurisdiction of the Orange County Transportation Authority. Please complete a speaker's card and submit it to the Clerk of the Board and notify the Clerk regarding the agenda item number on which you wish to speak. Speakers will be recognized by the Chair at the time of the agenda item is to be considered by the Board. Comments will be limited to three minutes. The Brown Act prohibits the Board from either discussing or taking action on any non-agendized items.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda item, please identify the item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

Call to Order

Pledge of Allegiance

Director Federico

Closed Session

There are no Closed Session items scheduled.

Special Calendar

1. Investment Management Presentation - Payden & Rygel

Robert Davis/Andrew Oftelie

Overview

Payden & Rygel is one of four firms contracted by the Orange County Transportation Authority to oversee the Managed Investment Portfolio. Representatives from Payden & Rygel will provide an introduction to their firm, along with market insights and an update on Orange County Transportation Authority's portfolio.

Attachments:

[Presentation](#)

Consent Calendar (Items 2 through 6)

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.

2. Approval of Minutes

Clerk of the Board

Recommendation(s)

Approve the minutes of the March 12, 2025 Finance and Administration Committee meeting.

Attachments:

[Minutes](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

3. Transit Field Supervision, Internal Audit Report No. 25-508

Jonathan Thompson/Janet Sutter

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of transit field supervision. Based on the audit, field supervision activities are effectively performed and recorded, and in accordance with guidelines and standards set by management.

Recommendation(s)

Receive and file Transit Field Supervision, Internal Audit Report No. 25-508, as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

4. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2024. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department made a recommendation to enhance the review of the monthly Investment and Debt Programs Reports.

Recommendation(s)

Direct staff to implement a recommendation provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511.

Attachments:

[Staff Report](#)

[Attachment A](#)

5. Fiscal Year 2024-25 Second Quarter Budget Status Report

Victor Velasquez/Andrew Oftelie

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2024-25 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2024-25.

Recommendation(s)

Receive and file as an information item.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Attachments:

[Staff Report](#)

[Attachment A](#)

6. Sole Source Agreement for Health Insurance Brokerage Services

Bea Maselli/Maggie McJilton

Overview

The Orange County Transportation Authority contracts with the Public Risk Innovation, Solutions, and Management to participate in a purchasing insurance pool for employee health and welfare insurance benefits. Pool members are required to have Alliant Insurance Services, Inc. as their primary broker of record. To continue participation in the pool, a new broker agreement is necessary. A proposal was solicited and received from Alliant Insurance Services, Inc. as a sole source procurement for health insurance brokerage services. Board of Directors' approval is required for the firm to provide the services.

Recommendation(s)

Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-5-3980 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., in the amount of \$640,000, for a five-year term, effective June 1, 2025 through May 31, 2030, to provide health insurance brokerage services.

Attachments:

[Staff Report](#)

Regular Calendar

There are no Regular Calendar items scheduled.

Discussion Items

7. Fiscal Year 2025-26 Budget Assumptions

Victor Velasquez/Andrew Oftelie

Overview

Staff is in the process of developing the fiscal year 2025-26 annual budget. Staff will be presenting revenue and expenditure assumptions for the committee's consideration.

Attachments:

[Presentation](#)

8. Public Comments

9. Chief Executive Officer's Report

10. Committee Members' Reports

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

11. Adjournment

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, April 23, 2025

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

Payden&Rygel

Los Angeles

Boston

London

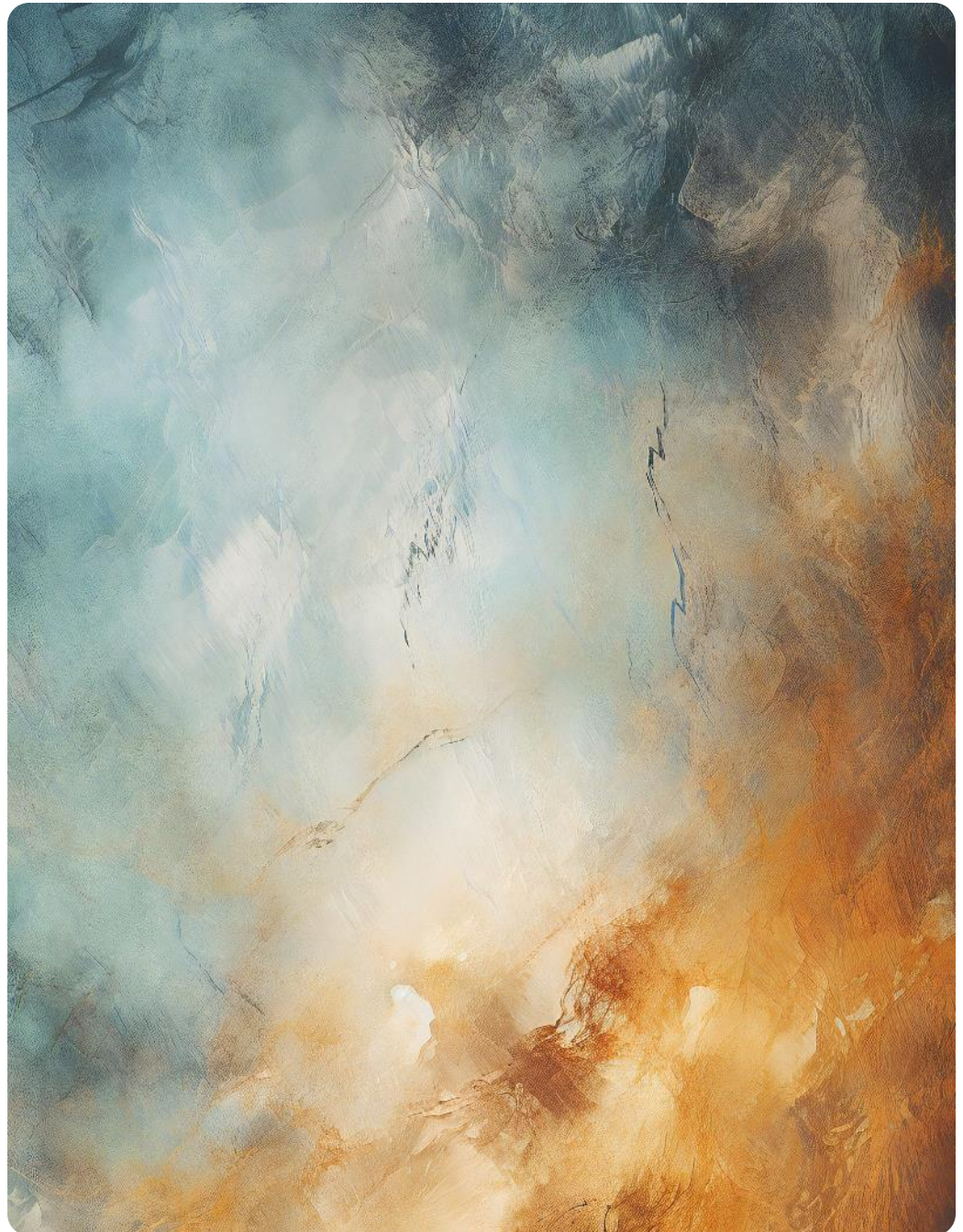
Milan

Orange County Transportation Authority

Portfolio Review

March 26, 2025

For Institutional Use Only



Biographies



James P. Sarni, CFA

Managing Director – Joined 1991

James Sarni is a Managing Director at Payden & Rygel. James serves as a Senior Portfolio Manager advising pension funds, insurance companies, corporations, health care organizations, Taft-Hartley plans, universities and endowments.

Prior to joining Payden & Rygel, James was a Vice President and senior portfolio manager at First Interstate Bank where he managed the trust department's commingled bond funds as well as institutional client portfolios.

James is a member of the University of Southern California's Marshall School of Business Board of Leaders, the Board of Directors of USC's Center for Investment Studies, Mount Saint Mary's University Board of Trustees, the Pasadena City College Foundation and Legatus International. He is past president of the Washington, DC-based Investment Adviser Association, Pasadena City College Foundation, CFA Society of Los Angeles and St. Philip the Apostle School board of trustees.

James earned an MBA with an emphasis in finance and a BS from the University of Southern California.



Gunther Denk, CFA

Senior Associate – Joined 2024

Gunther Denk is a Senior Associate in the client portfolio management group at Payden & Rygel. He works with a wide array of institutional clients and portfolio consultants to create and implement appropriate investment strategies and customized asset allocations.

Prior to joining Payden & Rygel, Gunther was an Associate in the Global Client Group at Dimensional Fund Advisors in Santa Monica, where he worked with investment decision makers on portfolio construction and fund research. Prior to that, he was part of the Global Strategy team at the Eurasia Group in New York City, where he worked on political and economic research for corporate and financial market clients.

Gunther graduated from Georgetown University in Washington D.C., where he earned a BSFS in International Politics. He is a member of the CFA Institute and the CFA Society of Los Angeles.

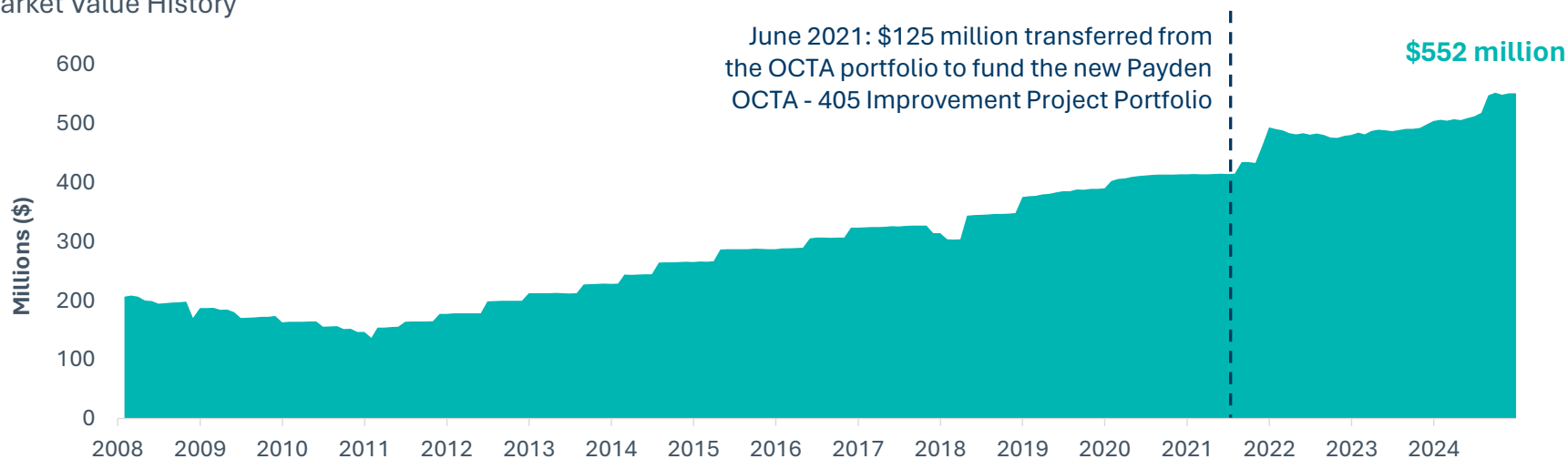
Executive Summary

Payden & Rygel has had a long-standing relationship with OCTA for over 24 years.

	OCTA	OCTA – Sub-Portfolio
Inception	February 2000	June 2021
Market Value	\$388 million	\$164 million
Duration	1.92 years	2.63 years
Credit Quality	AA	AA+
Yield to Maturity	4.48%	4.51%
Benchmarks	ICE BofA 1-3 Year US Treasury Index & ICE BofA 1-3 Year Govt/Corp AAA-A Index	ICE BofA 1-5 Year US Treasury Index & ICE BofA 1-5 Year Govt/Corp AAA-A Index

OCTA Combined Account Total Portfolio

Market Value History



Payden & Rygel

Who we are

AT A GLANCE

Established in 1983

Los Angeles-based, offices in Boston, London, Milan

\$159 billion AUM

Fully-resourced and flexible

One governance center

Centralized, coordinated decision making

100% independently owned

OUR CULTURE

Global investing perspective

Regardless of benchmark

Collaborative approach

Sharing best ideas, constructive debate

Exceptional retention

of talented people and clients

Alignment of interests

Fully focused on our clients

OUR GLOBAL REACH

★ Payden Offices

North America

Fortune 100 Corporations
Pension Funds
Insurers
Non-Profits
Wealth Management
Public Entities

Bermuda

Government Offices /
Public Entities
Insurers

United Kingdom

FTSE Clients
Pension Funds
Insurers
Wealth Management

Switzerland

Wealth Management
Pension Funds
Family Offices

Nordics

Wealth Management
Family Offices

Eurozone

Central Banks
United Nations Agencies
Pension Funds
Wealth Management
Insurers

Middle East

Central Banks
Sovereign Wealth

Africa

Insurers

South Africa

Wealth Management

Japan

Global Insurers

Asia

Central Banks

Australia

Superannuation Funds
Wealth Management

As of 12/31/2024



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- I. **Market and Economic Landscape**
- II. **Portfolio Review**



I.

Market and Economic Landscape

2025 U.S. Macroeconomic Outlook

We Expect The Unemployment Rate To Tick Up While Inflation Moderates Faster Toward Target

Our base case for 2025 is on-trend GDP growth (2.0%), a slightly higher unemployment rate (4.2%), and core inflation trending towards 2%.

We expect **growth to be on trend**, supported by solid consumer spending.

In the same vein, we **expect the unemployment rate to tick up slightly, to 4.2%**.

We also expected **core inflation to moderate toward 2%** in 2025, although Q1 readings could remain sticky due to seasonal effects.

Consequently, the Fed could **cut rates by 75 basis points over 2025, faster than what markets expect but slower than the pace of cuts in 2024.**

Indicators	Payden 2025 Forecast	Bloomberg Consensus*	Median FOMC Projection+
Economic Growth Q4/Q4 Real GDP % Change	2.0%	2.0%	2.1%
Labor Markets Unemployment Rate Level at Year-End	4.2%	4.2%	4.3%
U.S. Inflation % Change Year-Over-Year by Year-End, Core PCE	2.2%	2.5%	2.5%
Policy Rate (Fed Funds Rate)	3.50-3.75%	3.75-4.00%	3.75-4.00%

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Payden Calculations

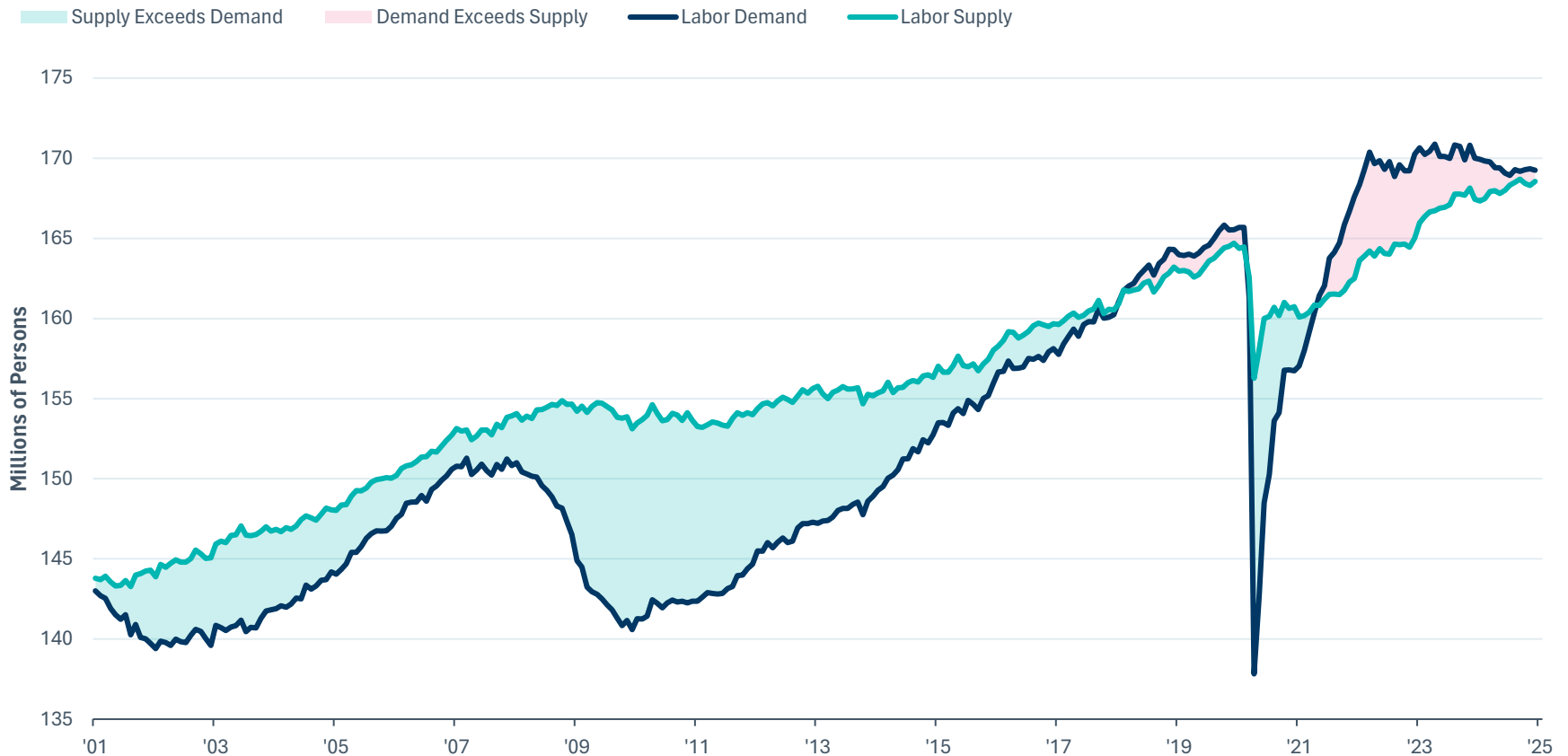
*Bloomberg surveys estimate quarterly averages
+As of the December 2024 Meeting

The Labor Market Is Softer Than It Was Prior To Covid-19

Supply Is Catching Up While Demand Eases From Record High Levels

Comparison of Labor Supply and Demand

Labor Demand = Total Employed + Job Openings; Labor Supply = Workers in the Labor Force



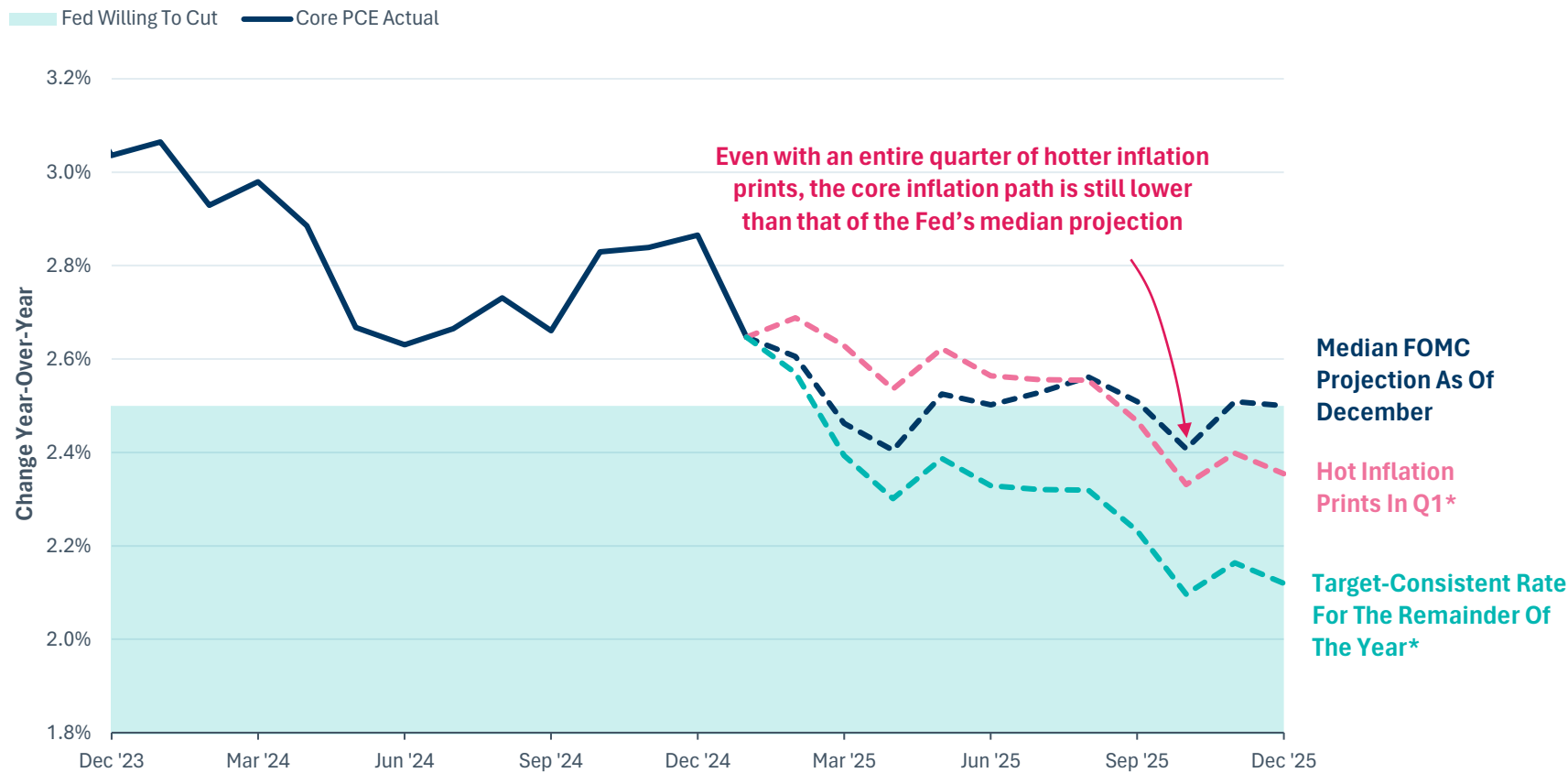
Sources: Bureau of Labor Statistics, Payden Calculations

First Quarter Inflation Prints Will Be The Key For Policymakers

If Monthly Inflation Prints Remain Hot Through Q1, The Fed Would Stay On Hold For Longer

Core PCE Inflation Path Based On Various Monthly Pace of Inflation Scenarios

Personal Consumption Expenditure (PCE) Price Index, ex. Food And Energy



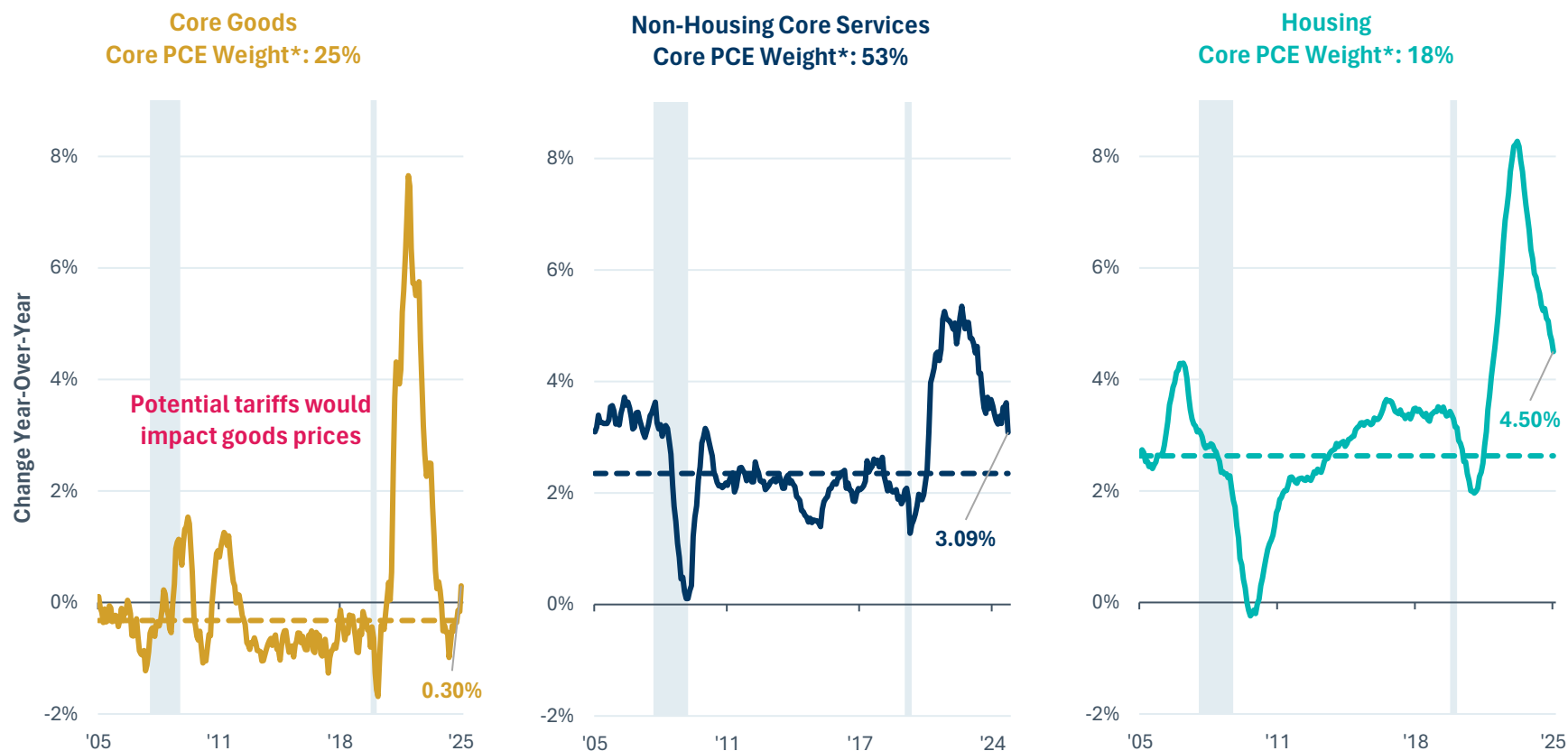
Sources: Bureau of Economic Analysis, Federal Reserve, Bloomberg, Payden Calculations

*Assumes core inflation to increase at 0.165% monthly after the fluke; 0.165% is the average rate we had in summer of 2024

All Three Components Of Core Inflation Have Made Progress

Housing Inflation Will Continue To Fade With A Lag Sometime In 2025

Trends In Core Personal Consumption Expenditure (PCE) Price Index Components Versus Long-Term Averages, Represented In Dashed Lines



Source: Bureau of Economic Analysis

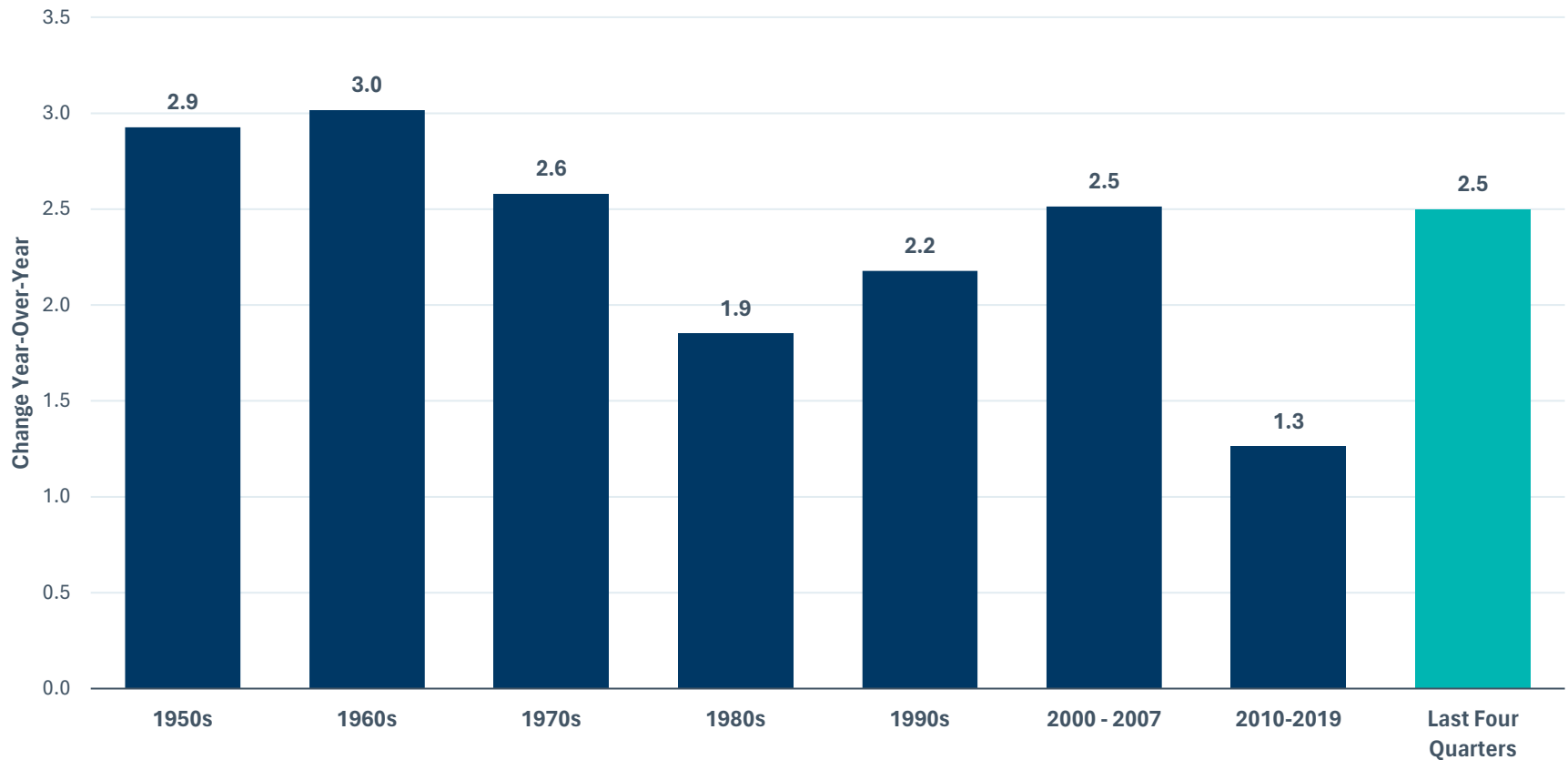
*The remaining 3% in core PCE Price Index weight is spending from nonprofit organizations

Better Productivity Growth Will Keep Inflation In Check

Average Productivity Growth In The Last Four Quarters Is On Par With The Roaring 1990s!

Total Factor Productivity Growth In Past Decades Excluding Recessions

Total Factor Productivity Is Measured By Total Business Sector Output Growth Minus Change In Hours Worked



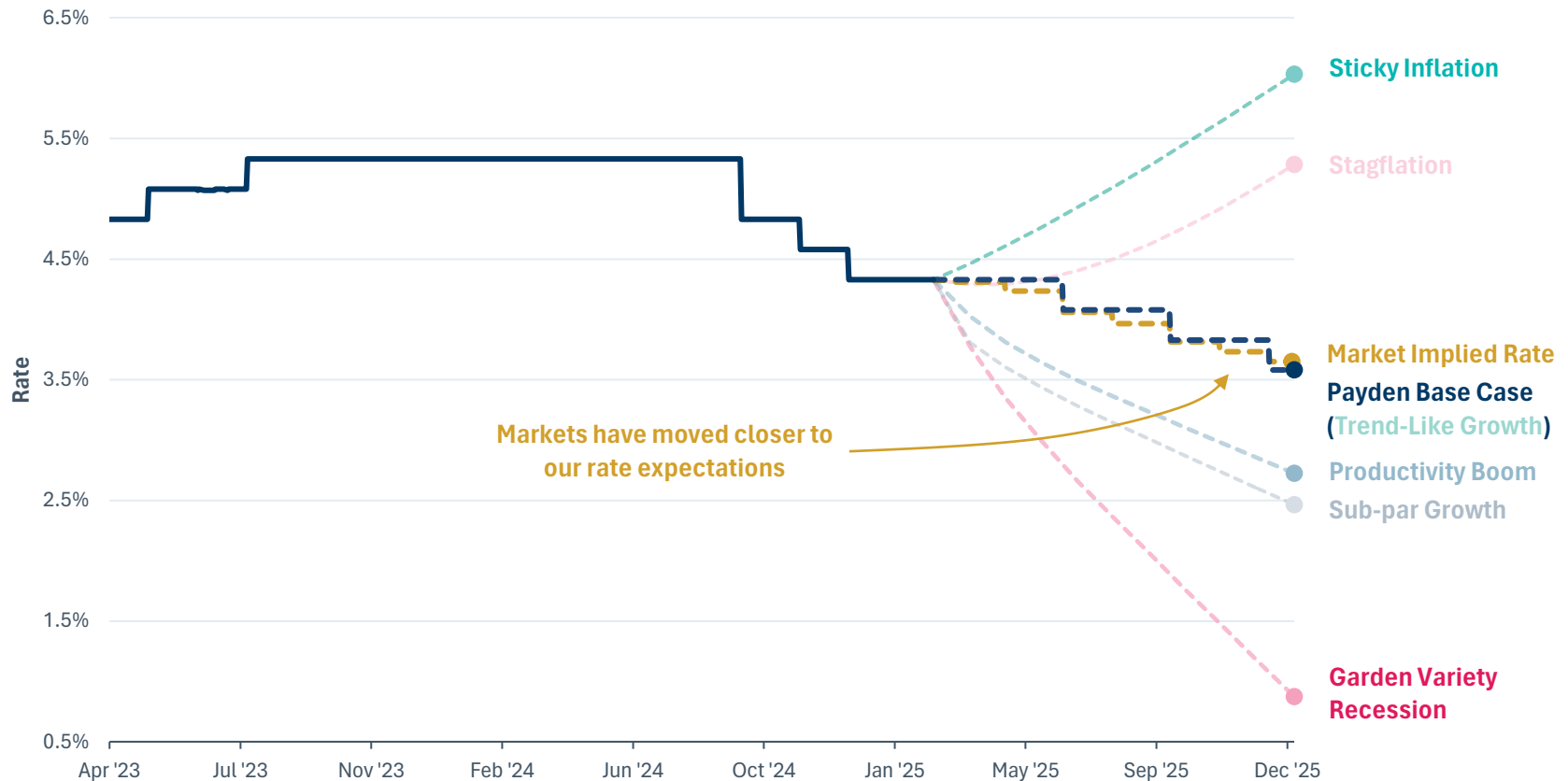
Sources: Bureau of Labor Statistics, Bureau of Economic Analysis

The Fed Funds Rate Is Headed To Neutral (3.00-3.50%)

Our Baseline Forecast Calls For Three Cuts Through 2025, Beginning In June

Fed Funds Rate Path Based On Different Macro Scenarios Compared to Market Pricing

Payden Economics Forecasts Versus Overnight Index Swap (OIS) Market Implied Rate As Of 2/28/2025



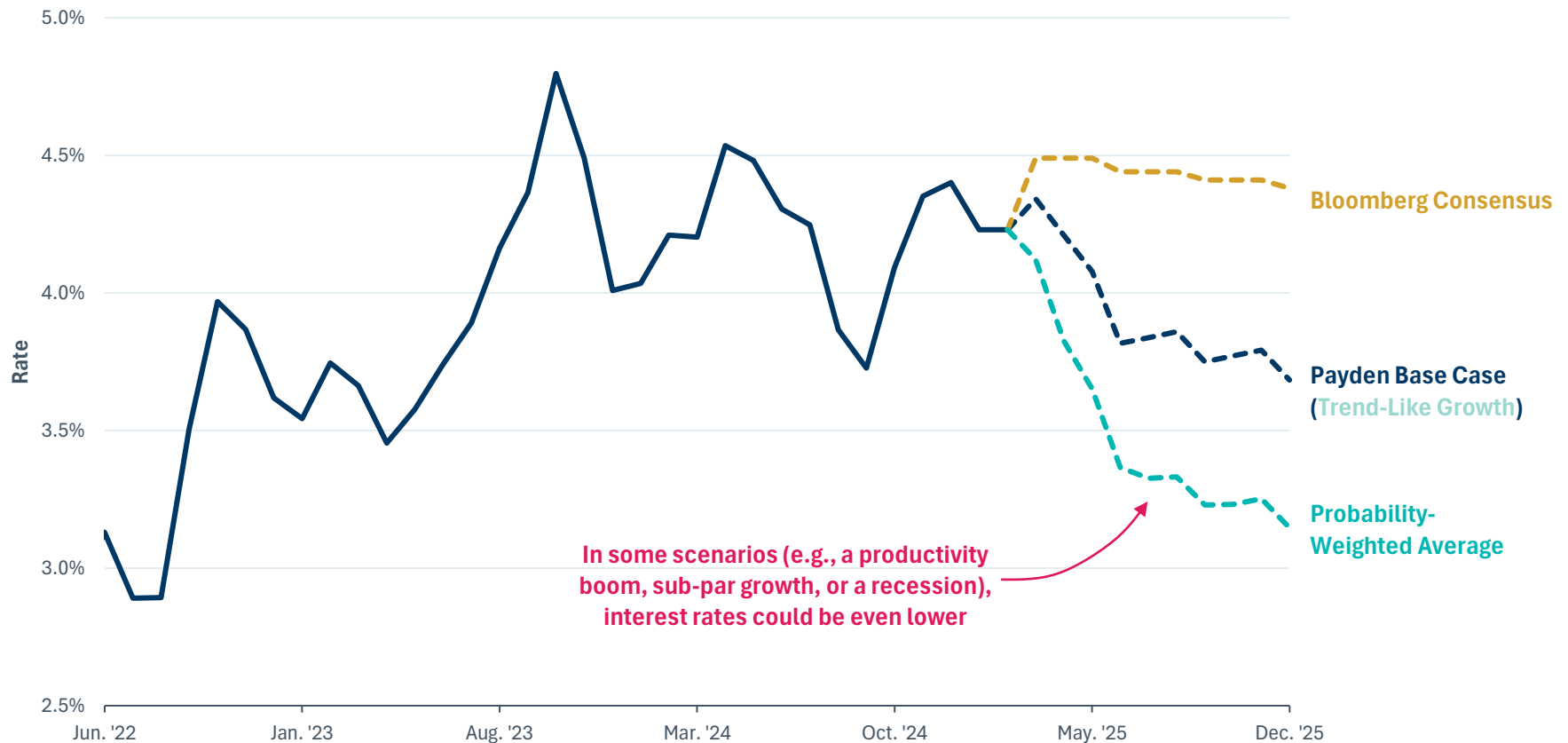
Sources: Federal Reserve, Bloomberg, CBO, Payden Calculations

The 10-Year Yield Could Be A Lot Lower in 12 Months

Our Macro Scenario Probabilities Tilt Toward Lower Rates—In Some Scenarios Substantially Lower

U.S. 10-Year Treasury Yield Path

Based On Different Macro Scenarios And Probabilities, As of 2/28/2025



Sources: Bloomberg, Payden Calculations

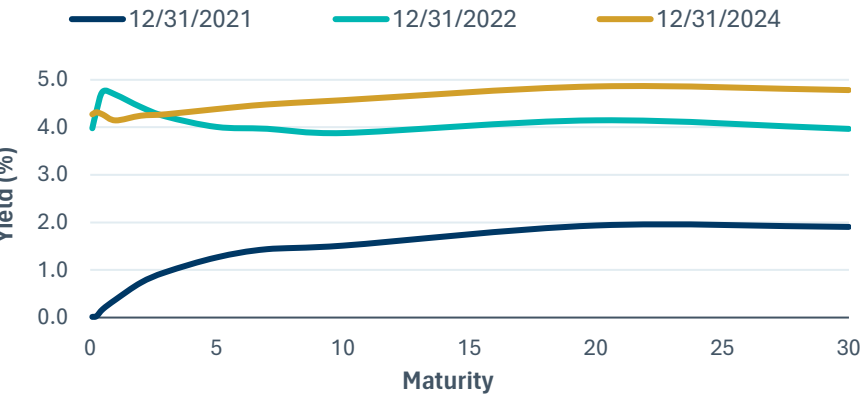


II. Portfolio Review

U.S. Treasury Rate Environment

As of December 31, 2024

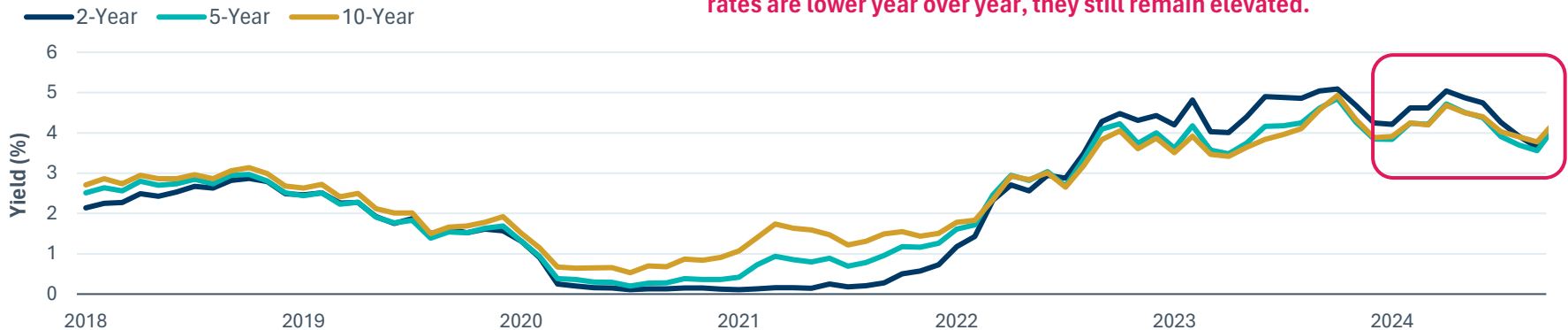
The curve has continued to normalize when compared to 2023 though short tenor US treasuries remain slightly inverted



UST Tenor	Yields (%) 12/31/2021	Yields (%) 12/31/2022	Yields (%) 12/31/2023	Yields (%) 12/31/2024	Bps ▲ '24 YoY
1-month	0.02	3.98	5.40	4.27	-113
3-month	0.03	4.34	5.33	4.31	-102
6-month	0.18	4.75	5.25	4.27	-98
1-year	0.38	4.69	4.76	4.14	-62
2-year	0.73	4.43	4.25	4.24	-1
3-year	0.96	4.22	4.01	4.27	26
5-year	1.26	4.00	3.85	4.38	53
7-year	1.44	3.97	3.88	4.48	60
10-year	1.51	3.87	3.88	4.57	69
20-year	1.93	4.14	4.19	4.86	67
30-year	1.90	3.96	4.03	4.78	75

Treasury Yields

January 2018 through December 2024



Treasury yields saw a spike in December 2024 after optimism for 2025 on the back of strong economic data and the U.S. election uncertainty passing. Though rates are lower year over year, they still remain elevated.

Source: Bloomberg. Past results are not indicative of future performance.

OCTA Portfolio Positioning

As of December 31, 2024

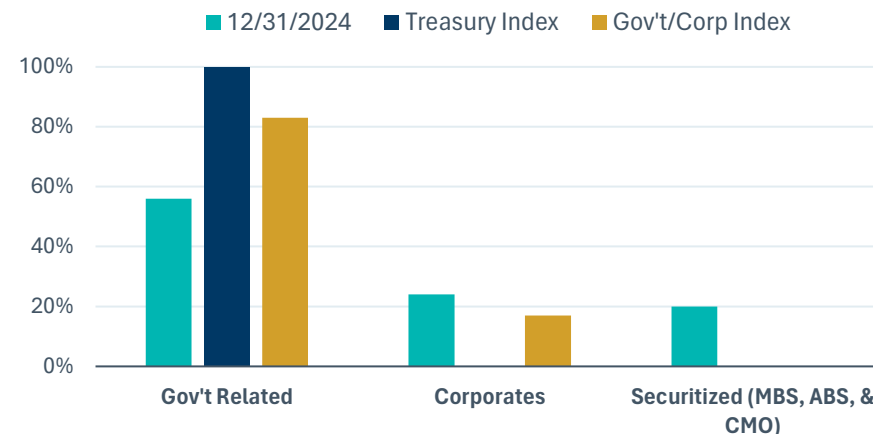
Portfolio Characteristics (1-3 Year)

	12/31/2024	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$388M	-	-
Yield to Maturity	4.48%	4.26%	4.37%
Effective Duration	1.92 yrs.	1.81 yrs.	1.80 yrs.
Average Rating	AA	AA+	AA

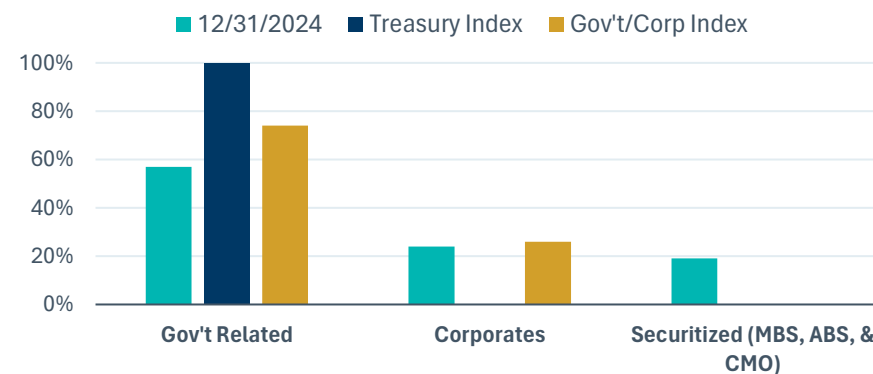
Sub-Portfolio Characteristics (1-5 Year)

	12/31/2024	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$164M	-	-
Yield to Maturity	4.51%	4.29%	4.41%
Effective Duration	2.63 yrs.	2.48 yrs.	2.47 yrs.
Average Rating	AA+	AA+	AA

Sector Distribution



Sector Distribution

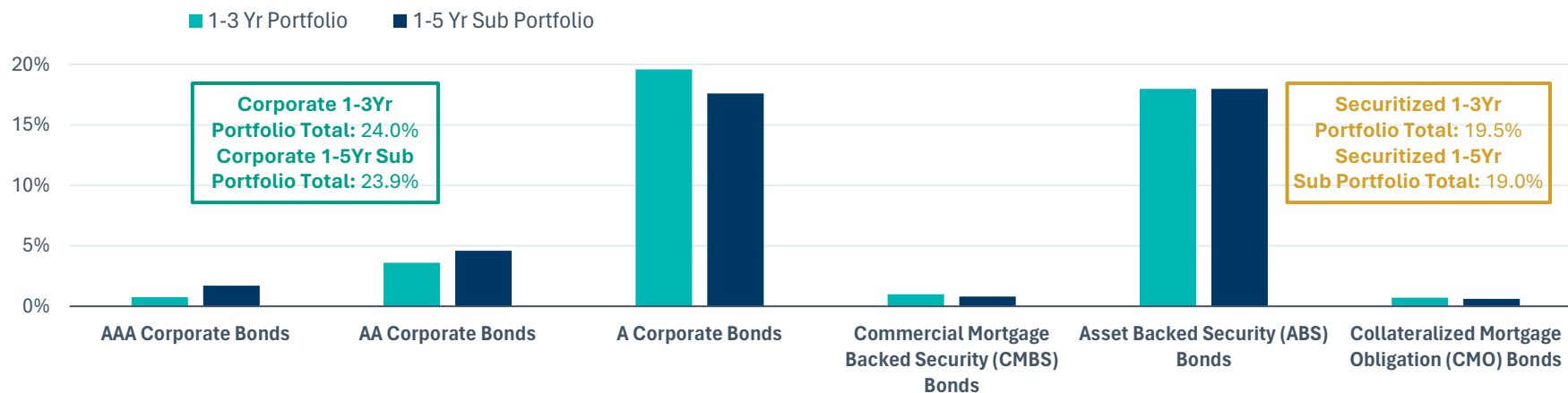


Benchmarks: ICE BofA 1-3 Year US Treasury Index and ICE BofA 1-3 Year AAA-A US Corporate & Government Index / ICE BofA 1-5 Year US Treasury Index and ICE BofA 1-5 Year AAA-A US Corporate & Government Index

OCTA Non-Treasury Portfolio Details

As of December 31, 2024

Sector Distribution Details



Representative Securities by Sector

	Issuer	Yield-to-Maturity
AAA Corporate Bond	New York Life Global	4.52%
AA Corporate Bond	Pacific Life	4.65%
A Corporate Bond	Caterpillar Financial	4.53%
Agency CMBS Bond	FHMS K054 A2 CMBS	4.58%
AAA ABS Bond	FORDF 2024-1 A1 FLOORPLAN 144A	4.53%
AA+ CMO Bond	FNGT 2017-T1 A SFR	4.75%

Benchmarks: ICE BofA 1-3 Year US Treasury Index and ICE BofA 1-3 Year AAA-A US Corporate & Government Index / ICE BofA 1-5 Year US Treasury Index and ICE BofA 1-5 Year AAA-A US Corporate & Government Index

Portfolio Performance

As of December 31, 2024

	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Portfolio (%)	4.60	2.20	2.00	2.90
ICE BofA 1-3 Year Treasury Bill Index (%)	4.10	1.50	1.40	2.50
ICE BofA 1-3 Year Govt/Corp AAA-A Bill Index (%)	4.30	1.60	1.50	2.70
	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Sub-Portfolio (%)	3.80	2.00	n/a	1.60
Blended US Treasury Benchmark (%)*	3.30	1.30	n/a	0.90
Blended US Corp & Govt Benchmark (%)*	3.60	1.40	n/a	1.10

Returns for fiscal periods longer than one year are annualized.

*Revised investment guidelines for sub-portfolio effective 10/01/24. The Custom US Treasury Benchmark is comprised of: 06/22/2021 - 09/30/2024 ICE BofA 1-3 Year US Treasury Index (G1O2), after 10/01/2024 ICE BofA 1-5 Year US Treasury Index USD (GVQ0). The Custom US Corp & Govt Benchmark is comprised of: 06/22/2021 - 09/30/2024 ICE BofA 1-3 Year AAA-A US Corporate & Government Index USD (B110), after 10/01/2024 ICE BofA 1-5 Year AAA-A US Corporate & Government Index USD (BV10).

Portfolio inception date: 03/01/2000; Sub-Portfolio inception date: 06/22/2021



Payden & Rygel

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Disclaimer

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**Committee Members Present**

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Jamey M. Federico
Carlos A. Leon
Mark Tettemer

Committee Members Absent

Mike Carroll
Vicente Sarmiento

Staff Present

Darrell E. Johnson, Chief Executive Officer
Jennifer L. Bergener, Deputy Chief Executive Officer
Sahara Meisenheimer, Clerk of the Board Specialist
Gina Ramirez, Assistant Clerk of the Board
Andrea West, Clerk of the Board
James Donich, General Counsel
OCTA Staff

Call to Order

The March 12, 2025 regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chair Hennessey at 10:30 a.m.

Special Calendar**1. Investment Management Presentation – Chandler Asset Management**

Andy Oftelie, Chief Financial Officer, provided opening comments and introduced Genny Lynkiewicz, Senior Portfolio Manager from Chandler Asset Management, who provided a PowerPoint presentation.

No action was taken on this informational item.

Consent Calendar (Items 2 through 6)**2. Approval of Minutes**

A motion was made by Director Tettemer, seconded by Committee Vice Chair Harper, and declared passed by those present to approve the minutes of the February 26, 2025 Finance and Administration Committee meeting.

3. Orange County Transportation Authority Internal Audit Department Peer Review

Committee Chair Hennessey pulled this item to congratulate the Internal Audit department on an excellent review with no findings.

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



4. Orange County Transportation Investment and Debt Programs Report – January 2025

A motion was made by Director Tettemer, seconded by Committee Vice Chair Harper, and declared passed by those present to receive and file as an information item.

5. Environmental Mitigation Program Endowment Fund Investment Report for December 31, 2024

A motion was made by Director Tettemer, seconded by Committee Vice Chair Harper, and declared passed by those present to receive and file as an information item.

6. Second Quarter Fiscal Year 2024-25 Procurement Status Report

A motion was made by Director Tettemer, seconded by Committee Vice Chair Harper, and declared passed by those present to receive and file as an information item.

Discussion Items

7. Public Comments

There were no public comments received.

8. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, reported on the following:

- Echoed Committee Chair Hennessey's comments on the Internal Audit Department Peer Review.
- Measure M Bond Refinancing Update
- Participation in a meeting of the SB 743 Implementation Working Group

Committee Vice Chair Harper asked if the 405 Express Lanes has created more traffic and Mr. Johnson commented on the induced demand concept.

9. Committee Members' Reports

There were no Committee Members' Reports.



10. Adjournment

The meeting adjourned at 11:08 a.m.

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, March 26, 2025

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

ATTEST:

Sahara Meisenheimer
Clerk of the Board Specialist



March 26, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Transit Field Supervision, Internal Audit Report 25-508

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of transit field supervision. Based on the audit, field supervision activities are effectively performed and recorded, and in accordance with guidelines and standards set by management.

Recommendation

Receive and file Transit Field Supervision, Internal Audit Report No. 25-508, as an information item.

Background

Field supervision is within the Operations Division of the Orange County Transportation Authority (OCTA). Field supervisors manage OCTA's on-street transit environment using real-time service management to ensure safe, courteous, and reliable service for all bus passengers. Field supervisors are the first responders to any accident, incident, or circumstance impacting bus operations. As such, they coordinate with other providers within and outside of OCTA to correctly identify, evaluate, and communicate conditions and situations affecting bus operations. Field supervisors provide support to coach operators to resolve customer issues in the field and respond to planned and unplanned detours. Field supervisors work 24 hours a day, seven days per week, including holidays, and rotate through all shifts on a quarterly basis aligning with pay periods.

Management communicates guidelines for handling various duties on a quarterly basis. Management also sets standards for performance of duties and evaluates field supervisors' performance against these standards.

Discussion

Field supervisors are provided with the necessary tools, equipment, and guidelines to ensure timely and effective assistance in the field. Field supervisors observed were knowledgeable of requirements and provided professional and respectful assistance to both coach operators and customers.

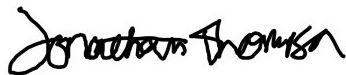
Summary

The Internal Audit Department has completed an audit of Transit Field Supervision.

Attachment

A. Transit Field Supervision, Internal Audit Report No. 25-508

Prepared by:



Jonathan Thompson
Internal Auditor
(714) 560-5930

Approved by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Transit Field Supervision

Internal Audit Report No. 25-508

February 19, 2025



Performed by Jonathan Thompson, Internal Auditor *Jonathan Thompson*
Janet Sutter, CIA, Executive Director

Distributed to: Johnny Dunning, Chief Operating Officer,
Damon Blythe, General Manager, Transit
Sergio Hernandez, Tim Beseau

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Transit Field Supervision
February 19, 2025**

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Transit Field Supervision
February 19, 2025

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of transit field supervision activities. Based on the audit, field supervision activities are effectively performed and recorded, and in accordance with guidelines and standards set by management.

Background

Field supervision is within the Operations Division of OCTA. Field supervisors manage OCTA's on-street transit environment using real time service management to ensure safe, courteous, and reliable service for all bus passengers. Field supervisors are the first responders to any accident, incident, or circumstance impacting bus operations. As such, they coordinate with other providers within and outside of OCTA to correctly identify, evaluate, and communicate conditions and situations affecting bus operations. Field supervisors provide support to coach operators to resolve customer issues in the field and respond to planned and unplanned detours. Field supervisors work 24/7, including holidays, and rotate through all shifts on a quarterly basis aligning with pay periods.

Field supervisors are assigned a special service vehicle, currently 2020 Ford Explorer hybrids, to carry out their responsibilities. These vehicles are equipped with a radio for communication with OCTA dispatchers, a docking station for connection of their assigned laptop, various tools, safety equipment, and signage for responding to issues in the field. Field supervisors use the TopCar system to record the location and timing of their activities. Management communicates guidelines for handling various duties on a quarterly basis. Management also sets standards for performance of duties and evaluates field supervisors' performance annually against these standards.

Field supervisors perform a variety of duties, including managing service delivery by observing coach operator driving skills, bus speed, on-time pullout, schedule adherence, routing, running times, stops, and layovers, and provide coach operator mentoring, as appropriate. They also perform observations of transit centers for unsafe activities, unattended items, and/or damage or graffiti and initiate repairs and clean-up, as necessary. Field supervisors respond to reports of bus collisions and passenger falls and coordinate the filing of incident reports in the Origami risk management system. They also minimize disruption or loss of service by completing minor repairs in the field, such as securing loose panels, tightening mirrors, and repairing malfunctioning fareboxes.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Transit Field Supervision
February 19, 2025**

Objectives, Scope, and Methodology

The objectives were to evaluate and test the adequacy and performance of field supervision activities.

The methodology consisted of observations of field supervisor activities against documented performance and duty guidelines, as performed by five of 15 field supervisors, testing a haphazard sample of 50 entries from field supervisor daily activity logs against information on time and location per the global positioning system installed on the respective vehicles, testing a haphazard sample of 20 incidents requiring field supervisor response from the central communications dispatch system against supervisor activity logs, F-18 reports entered into the Origami risk management system for accuracy and timeliness of reporting, and confirming all quarterly communications from management outlining duty and performance guidelines.

The scope was limited to field supervision activities. The scope period for observations included dates in December 2024 and January 2025, and the scope period for all other tests was from December 1, 2022 to November 30, 2024. Since the samples selected were non-statistical, any conclusions are limited to the sample items tested.

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Transit Field Supervision
February 19, 2025**

Audit Comment, Recommendation, and Management Response

Noteworthy Accomplishments

Field supervisors are provided with the necessary tools, equipment, and guidelines to ensure timely and effective assistance in the field. Field supervisors observed were knowledgeable of requirements and provided professional and respectful assistance to both coach operators and customers.



March 26, 2025

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, 2024, Internal Audit Report No. 25-511

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2024. Based on the audit, the Orange County Transportation Authority complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department made a recommendation to enhance the review of the monthly Investment and Debt Programs Reports.

Recommendation

Direct staff to implement a recommendation provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On December 31, 2024, the Portfolio's book value was approximately \$2.8 billion. The portfolio is divided into two portfolios: the liquid portfolio for immediate cash needs; and the managed 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. OCTA's Treasurer manages the liquid portfolio, and four external investment managers administer the managed portfolio. OCTA also has investments in debt service reserve funds for various outstanding debt obligations.

The Investment Policy sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Investment 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

Multiple securities were not appropriately identified as variable and floating rate securities in the Portfolio Listing of the September and November 2024 Investment and Debt Programs Reports. Internal Audit recommended Treasury management confirm the presentation of variable and floating rate securities during its review of the monthly reports, and management agreed to enhance its review process to ensure consistency in future reports.

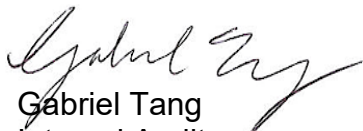
Summary

Internal Audit has completed an audit of investments for the period July 1 through December 31, 2024, and has offered a recommendation for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2024, Internal Audit Report No. 25-511

Prepared by:


Gabriel Tang
Internal Auditor
(714) 560-5746

Approved by:


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

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Investments: Compliance, Controls, and Reporting July through December 31, 2024

Internal Audit Report No. 25-511

March 14, 2025



Audit Team:

Gabriel Tang, CPA, Principal Auditor, Internal Audit
Serena Ng, CPA, Senior Manager, Internal Audit

Distributed to:

Andrew Oftelie, Chief Financial Officer, Finance and Administration
Sean Murdock, Robert Davis, Rima Tan, Changsu Lee

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2024
March 14, 2025**

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ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2024
March 14, 2025

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period July 1 through December 31, 2024. Based on the audit, the Orange County Transportation Authority (OCTA) complied with its debt, investment, and reporting policies and procedures; however, Internal Audit made a recommendation related to the presentation of variable and floating rate securities in the monthly Investment and Debt Programs Reports.

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, 2024, the Portfolio's book value was approximately \$2.8 billion. The portfolio is divided into two portfolios: the liquid portfolio for immediate cash needs and the managed 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. OCTA's Treasurer manages the liquid portfolio, and four external investment managers administer the managed 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 sets forth guidelines for all OCTA investments to ensure conformance with the California Government Code. The Investment 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 Investment Policy and requires investment managers to invest their portfolios in accordance with the provisions of the Investment Policy.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2024
March 14, 2025

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 Investment Policy;
- Investment transactions were adequately supported; and
- OCTA was in compliance with investment requirements of debt issuances.

The scope included investment transactions and investment-related controls for the period July 1 through December 31, 2024.

The methodology consisted of obtaining the most current Investment Policy and Debt and Investment Management Manual, reviewing any personnel changes and corresponding updates to bank authorization signature cards, reviewing a haphazard sample of daily cash worksheets prepared by Accounting and Treasury staff, testing all the sweep purchases for compliance with the Investment Policy, testing all investment purchases for compliance with the Investment Policy and evidence of secondary review, testing a judgmental sample of wire and automated clearing house (ACH) transfers for accuracy and proper authorization, testing a judgmental sample of bank account reconciliations for compliance with policy, testing a haphazard sample of Treasury's weekly compliance review, and testing a haphazard sample of the monthly Investment and Debt Programs Reports provided to OCTA's Board of Directors, including testing a haphazard sample of 40 investment securities managed by investment managers for the selected month. For wire and ACH transfer testing, Internal Audit judgmentally selected wire or ACH transfers with a bias towards large transactions. Bank account reconciliations are selected with a bias towards bank accounts with the most transactions. Since the samples are non-statistical, any conclusions are limited to the sample items tested. The methodology also included confirming that Treasury obtained investment managers' acknowledgement of receipt of OCTA's Investment Policy and confirming that investment managers' performance is reported and compared to indices in the monthly Investment and Debt Program Reports.

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2024
March 14, 2025**

Audit Comment, Recommendation, and Management Response

Presentation of Variable and Floating Rate Securities in the Monthly Reports

Multiple securities were not appropriately identified as variable and floating rate securities in the Portfolio Listing of the September and November 2024 Investment and Debt Programs Reports. Variable and floating rate securities are identified with a Note (1) in the Portfolio Listing; however, the Note (1) was missing for 20 variable and floating rate securities in September 2024, and 17 variable and floating rate securities in November 2024.

Recommendation:

Internal Audit recommends that management confirm the presentation of variable and floating rate securities during its review of the monthly Investment and Debt Programs Reports.

Management Response:

Management concurs with the observation regarding the notation of floating and variable rate securities in the September and November 2024 Investment and Debt Programs Reports. Management will enhance its review process to ensure consistency in future reports.



March 26, 2025

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2024-25 Second Quarter Budget Status Report

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2024-25 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2024-25.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2024-25 Budget on June 24, 2024. 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 \$1,756.6 million. Sources of funds were comprised of \$1,403.8 million in current FY revenues and \$352.8 million in use of prior year designations. Uses of funds were comprised of \$1,660.1 million of current FY expenditures and \$96.5 million of designations.

The Board has approved one amendment through the second quarter, increasing the expense budget by \$54.5 million. This increased the budget to \$1,811.1 million as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2024	Adopted Budget	\$ 1,756,583
8/12/2024	Additional \$54.5 million for the new administrative head quarters	\$ 54,500
	<i>Subtotal Amendments</i>	\$ 54,500
	Total Working Budget	\$ 1,811,083

HQ - Headquarters

*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.

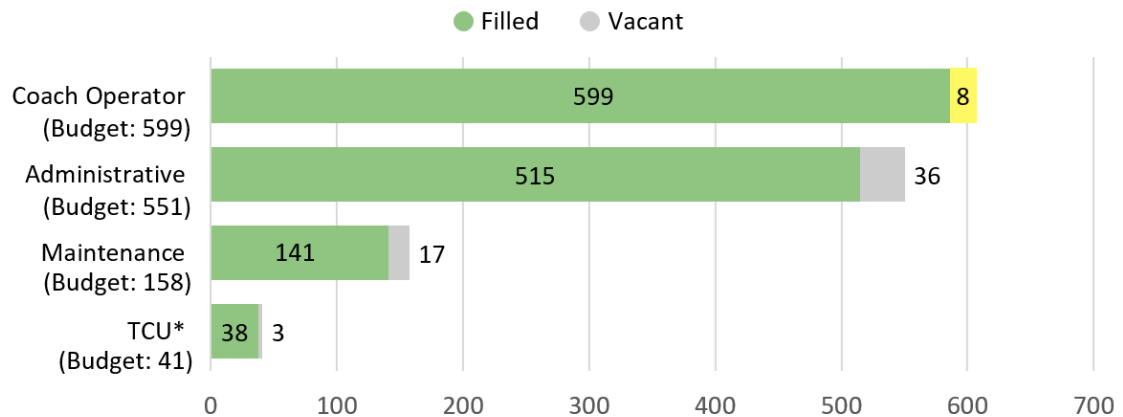
Unless indicated on an individual chart, the general color pattern used is outlined below:

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

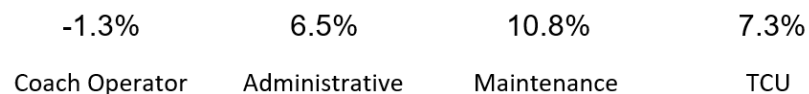
Staffing

Total salaries and benefits were \$3.7 million under the budget of \$108.1 million. This is primarily due to staffing vacancies agency wide; vacancy details are provided in the graph below. Coach operator positions were slightly over the budgeted amount due to lower attrition than anticipated when the budget was developed.

Filled and Vacant Positions by Group



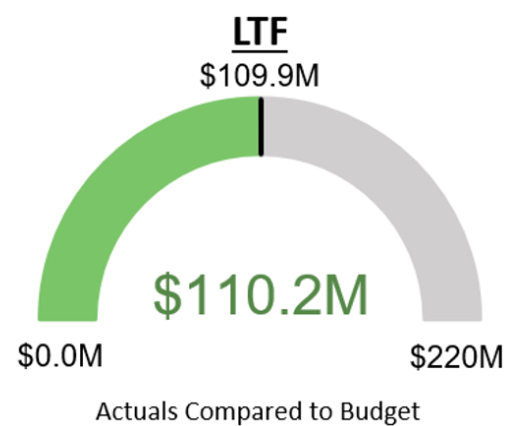
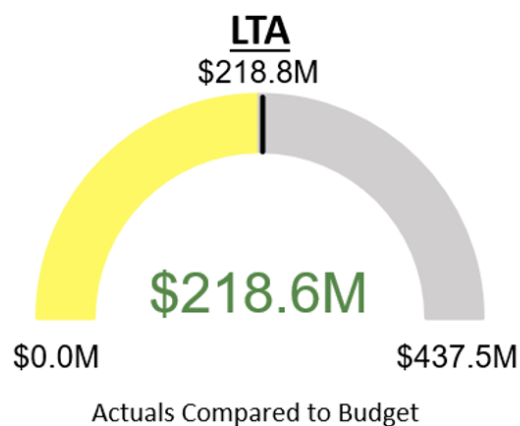
Vacancy Percentage by Group



*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 closely aligned to the budget through the second quarter. LTA sales tax receipts of \$218.6 million were \$0.2 million lower than the budget and LTF sales tax receipts of \$110.2 million were \$0.3 million higher than the budget.

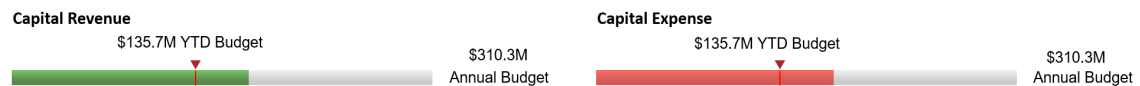


Major Programs

Bus Program

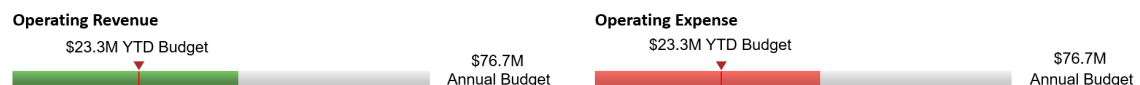


Bus Program operating revenue of \$241.3 million was \$73.5 million above budget. This was due to the timing of federal operating assistance grant revenues anticipated in FY 2023-24 but received in FY 2024-25. Bus Program operating expenses of \$151.5 million were \$8.1 million under the budget. This is primarily due to lower than anticipated expenditures on recurring as-needed services and supplies, such as fuel, maintenance services, and professional services, which can vary based on need.



Bus Program capital revenue and expenses of \$175.1 million were \$39.4 million higher than the budget. This was due to capital revenues that were reimbursed based on current year's capital expenses. Capital expenses were higher than budgeted primarily due to the timing of the purchase of new electric buses that are budgeted for in the third quarter. This overrun was partially offset by lower than anticipated expenses pertaining to the Transit Security and Operations Center, based on lower than anticipated contract award and timing of construction and design costs not yet incurred due to the recent award.

Regional Rail Program



Regional Rail Program operating revenue of \$41.5 million was \$18.2 million higher than the budget. This was due to SB 125 (Chapter 54, Statutes of 2023) funds that were received in the second quarter but anticipated to be received in the fourth quarter. Rail operating expenses were \$18.2 million higher than budgeted. This was due to the timing of invoicing for the operating subsidy. Through the second quarter OCTA paid the first three quarters worth of invoices, expenses are anticipated to align to the budget by the end of the FY.

Capital Revenue
\$0.6M YTD Budget



\$17.1M
Annual Budget

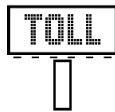
Capital Expense
\$0.6M YTD Budget



\$17.1M
Annual Budget

Regional Rail Program capital revenue of \$0.8 million was \$0.2 million over budget. This was due to capital revenue reimbursements received in the current FY that were budgeted in the previous FY. Capital expenses were aligned with the budget through the second quarter.

91 Express Lanes Program



Operating Revenue

\$32.7M YTD Budget



\$86.3M
Annual Budget

Operating Expense

\$9.6M YTD Budget



\$86.3M
Annual Budget

The 91 Express Lanes Program operating revenue of \$41.5 million exceeded the budget by \$8.8 million, primarily due to larger than anticipated revenue from toll violations, interest income, and 200,000 additional trips. Operating expenses of \$7.3 million were \$2.3 million lower than the budget of \$9.6 million, primarily due to lower usage of as-needed contracted and professional services.

Capital Revenue
\$0.4M YTD Budget



\$39M
Annual Budget

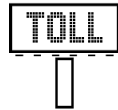
Capital Expense
\$0.4M YTD Budget



\$39M
Annual Budget

The 91 Express Lanes Program capital revenue and expenses were in line with the budget.

405 Express Lanes Program



Operating Revenue



Operating Expense



The 405 Express Lanes Program operating revenue of \$26.4 million was \$4 million over budget, primarily due to higher than anticipated toll violation revenues. Operating expenses of \$7.4 million were \$11.8 million lower than the budget of \$19.2 million, primarily due to invoice timing differences for work on the back-office system and adjustments to the amortization of the Transportation Infrastructure Finance and Innovation Act loan. It is anticipated that expenditures will align with the budget this FY.

Motorist Services Program



Operating Revenue



Operating Expense

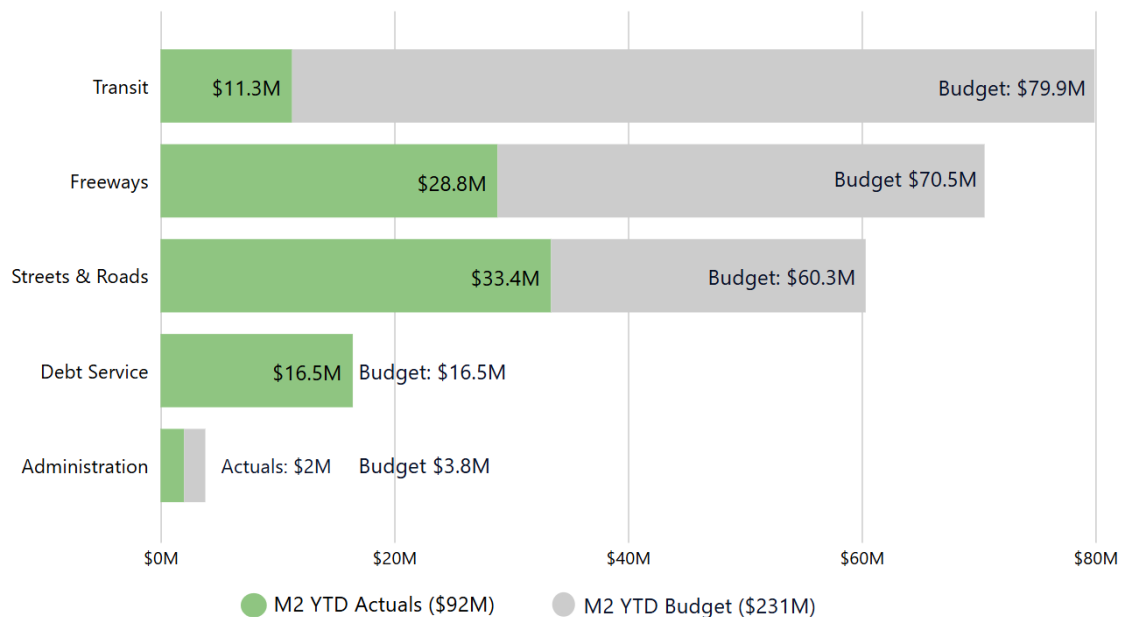


Motorist Services Program operating revenue and expenses of \$4 million were \$0.2 million lower than the budget. The underrun in expense is based on the timing of invoices and lower than budgeted contracted tow service costs for Freeway Service Patrol. The underrun in revenue is directly tied to the amount of revenue needed to fund expenditures.

M2 Program

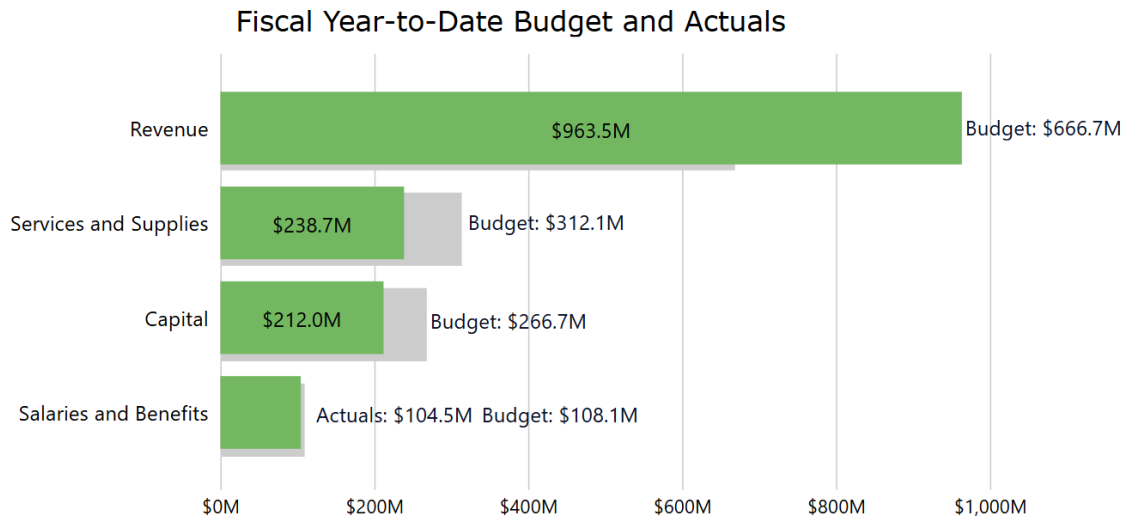


M2 Program Budget and Actuals by Mode



Total actual expenses of \$92 million for the M2 Program were \$139 million lower than the budget, primarily due to the timing of OC Streetcar construction expenses (\$65.5 million). Additionally, the timing of construction and right-of-way (ROW) payments for freeway projects including the Interstate 5 (I-5) to El Toro Road Freeway Project (\$33.7 million), State Route 91 (SR-91) freeway improvements (\$4 million), and State Route 57 (SR-57) Project (\$1.3 million) contributed to the underrun. Also contributing to the variance are lower than anticipated expenses for the Local Fair Share programs (\$14.9 million), and Regional Traffic Signal Synchronization (\$11.9 million).

Summary



Overall, revenue of \$963.5 million was \$296.8 million over budget. This was primarily due to reimbursement of Transit and Intercity Rail Capital Program funding related to construction expenses incurred in prior years for the OC Streetcar Project. The timing of federal operating assistance grant revenues for the bus program and SB 125 funds for the rail program are also contributing to the overrun.

Operating expenses of \$238.7 million were \$73.4 million under budget, primarily due to the timing of expenses for freeway services, contributions to Orange County, cities, and local agencies for the Regional Traffic Signal Synchronization and Local Fair Share programs. Additionally, as-needed services and supplies as well as professional services contributed to the underrun.

Total OCTA capital expenses of \$212 million were \$54.7 million under budget, primarily due to the timing of OC Streetcar construction expenses and the timing of construction and ROW expenses for the I-5 to El Toro Road Freeway Project, SR-91 freeway improvements, and SR-57 Project.

Salaries and benefits of \$104.5 million underran the budget by \$3.6 million. This was primarily due to staffing vacancies in the administrative groups.

Attachment

A. Fiscal Year 2024-25 Second Quarter Budget Status Summary

Prepared by:



Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:

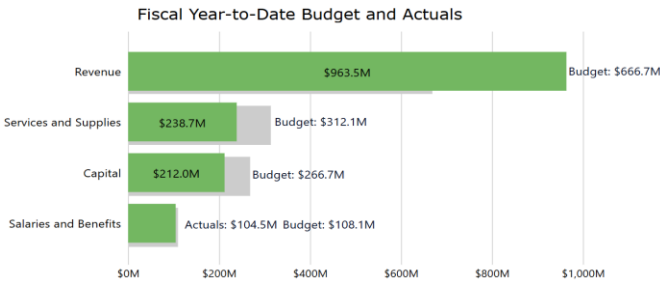
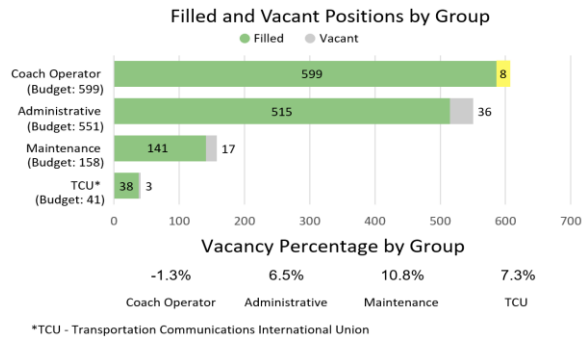
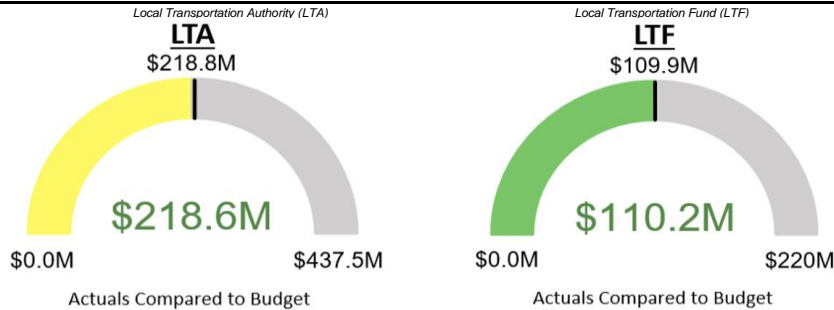


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649

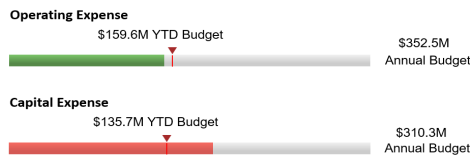
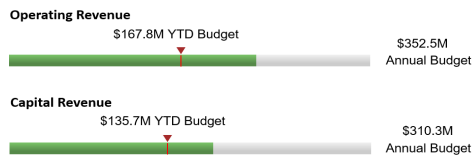
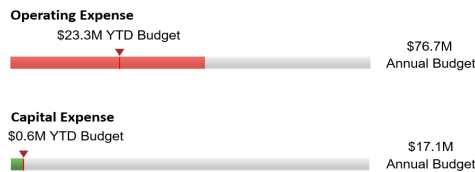
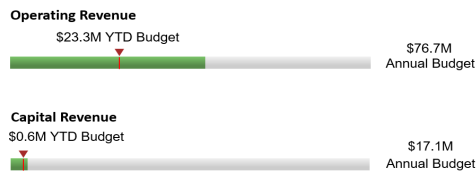
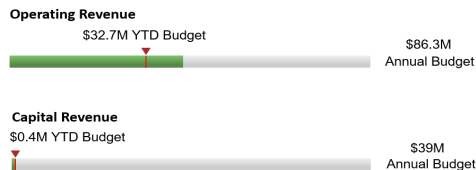


Fiscal Year 2024-25 Second Quarter Budget Status Summary

● Budget ● Within Budget ● Within 5% Variance ● Over 5% Variance

Total Authority**Staffing****Sales Tax Receipts****Major Operating Programs**

Year-to-Date (YTD)

Bus Program**Regional Rail Program****91 Express Lanes Program****405 Express Lanes Program****Motorist Services Program**



March 26, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Sole Source Agreement for Health Insurance Brokerage Services

Overview

The Orange County Transportation Authority contracts with the Public Risk Innovation, Solutions, and Management to participate in a purchasing insurance pool for employee health and welfare insurance benefits. Pool members are required to have Alliant Insurance Services, Inc. as their primary broker of record. To continue participation in the pool, a new broker agreement is necessary. A proposal was solicited and received from Alliant Insurance Services, Inc. as a sole source procurement for health insurance brokerage services. Board of Directors' approval is required for the firm to provide the services.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-5-3980 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., in the amount of \$640,000, for a five-year term, effective June 1, 2025 through May 31, 2030, to provide health insurance brokerage services.

Discussion

The Orange County Transportation Authority (OCTA) uses a broker of record to assist the Benefits section of the Human Resources Department to implement and maintain OCTA's benefit programs for its employees. The broker of record provides marketing and placing of coverage, assists OCTA in developing comprehensive, cost-effective health and welfare programs, and supports and assists OCTA in resolving any health insurance carrier problems. Additionally, the broker of record informs OCTA of new legislation that may affect OCTA, performs research and analysis as requested, develops benefit communication pieces, and assists with open enrollment.

OCTA entered into a Joint Powers Agreement with Public Risk Innovation, Solutions, and Management (PRISM) in 2016 to participate in a purchasing insurance pool with other California counties and public entities for employee health and welfare insurance benefits. Alliant Insurance Services, Inc. (Alliant) is the exclusive broker of record for all PRISM programs, with exclusive rights to consult, underwrite, distribute, and service all PRISM programs and its members. The delivery of the PRISM programs is contractually provided based on the knowledge and expertise of the Alliant program and service teams. PRISM requires that OCTA and other pool members utilize Alliant as the primary broker of record. This is a normal rule of engagement for entry into risk sharing pools and programs.

The PRISM pool 2025 renewal rate was an increase of 4.8 percent from 2024. The market trend for insurance premiums for comparable size organizations to OCTA were increases averaging 12 percent in 2025. Therefore, it is in OCTA's best interest to remain a member of the PRISM insurance pool due to favorable insurance rates and to contract with Alliant as its primary broker of record in accordance with the PRISM Joint Powers Agreement.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors-approved policies and procedures for a sole source procurement.

Alliant is the exclusive broker of record for all PRISM public agency risk-sharing programs and the sole entity to consult, underwrite, distribute, and service all PRISM programs and its members. Therefore, Alliant is the sole source firm that can provide broker and consulting services to implement and maintain employee benefit programs. Alliant has represented PRISM since 1979 and the firm's core clientele are public agencies, including several located in Southern California. Based on its technical ability and financial status, Alliant is deemed responsible.

Alliant's proposal was reviewed by staff from the Contracts Administration and Materials Management and Human Resources Departments to ensure compliance with the contract terms and conditions, as well as the technical requirements.

In accordance with OCTA's sole source procurement procedures, a sole source over \$50,000 requires OCTA's Internal Audit Department to conduct a price review of Alliant's proposed pricing. The Internal Audit price review report compared the rates proposed by Alliant to comparable contract rates with the City of San Bernardino, escalated by the 12-month Employment Cost Index rate

for December 2024 and found that Alliant's quoted pricing is lower. Therefore, the quoted price is deemed fair and reasonable.

Based on the above, the award is recommended to Alliant.

Fiscal Impact

Funds are included in OCTA's Fiscal Year 2024-25 Budget, People and Community Engagement Division, Human Resources Department, Account No. 1340-7519-A2307-FBE, and is funded through the Local Transportation Fund.

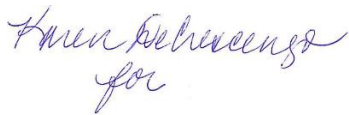
Summary

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute sole source Agreement No. C-5-3980 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., in the amount of \$640,000, to provide health insurance brokerage services, for a five-year term, effective June 1, 2025 through May 31, 2030.

Attachment

None.

Prepared by:



Bea Maselli
Section Manager III, Benefits
714-560-5825



Pia Veasapen
Director, Contracts Administration and
Materials Management
714-560-5619

Approved by:



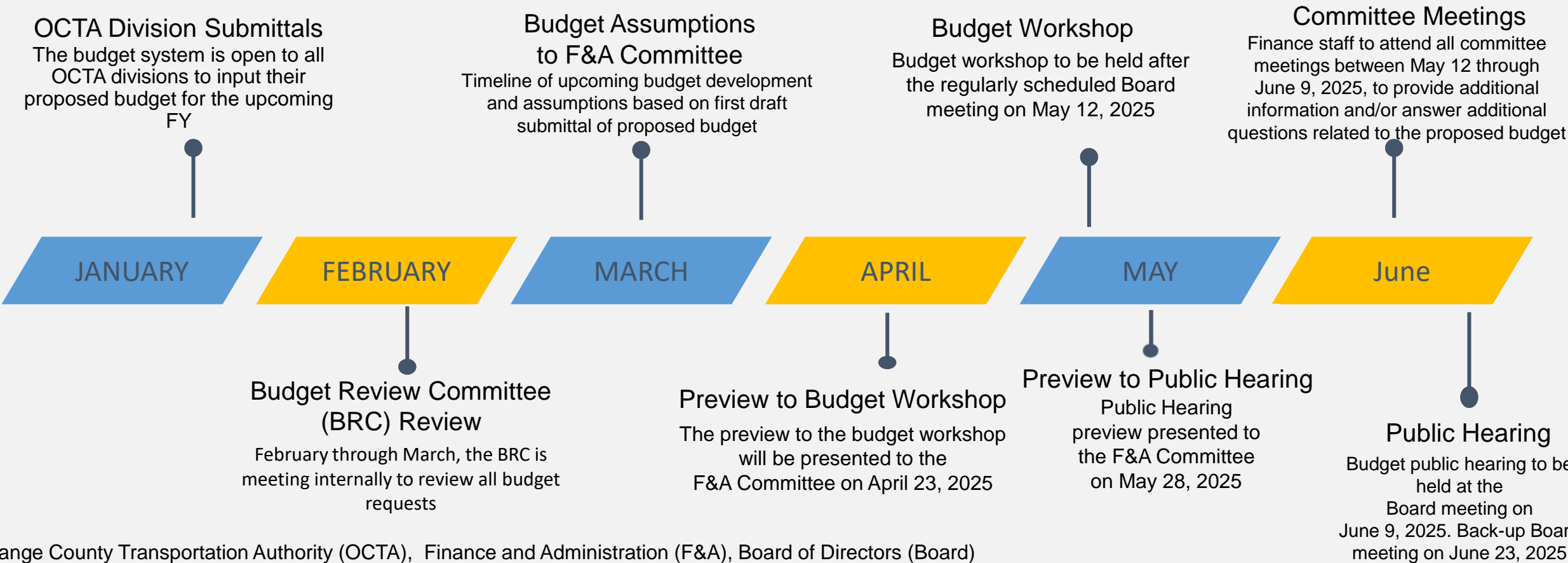
Maggie McJilton
Executive Director, People and
Community Engagement
714-560-5824



Fiscal Year 2025-26 Budget Assumptions



Fiscal Year (FY) 2025-26 Budget Timeline



Major Programs

Measure M2 (M2): *Freeways, Streets and Roads, and Transit*

Transit: *Bus, Regional Rail, and Local Rail*

Express Lanes: *91 Express Lanes and 405 Express Lanes*

M2 Program Assumptions

- Sales Tax Revenue
 - M2 sales tax is forecasted to remain flat in comparison to current year-end estimates at \$432.1 million
- Expenditures consistent with the Board-approved Next 10 Delivery Plan
 - Freeway mode expenditures primarily driven by right-of-way expenses for the State Route 91 (SR-91), State Route 55 (SR-55), and Interstate 5 (I-5) projects
 - Streets and roads mode expenditures driven by the Local Fair Share and Regional Capacity programs
 - Transit mode expenditures driven by Metrolink operations and the Community- Based Transit Circulators program

Bus Program Revenue Assumptions

- Sales Tax Revenue
 - Bus sales tax is forecasted to remain flat in comparison to current year-end estimates at \$220.2 million
- Fare revenue is projected to increase based on increased boardings
- Federal grants continue to be used primarily for preventative maintenance and capital cost of contracting expenditures
- State Transit Assistance and SB 1 revenue will continue to support rehabilitation and replacement of capital

Bus Operations Assumptions

- Fixed-Route Service
 - Revenue service hours are anticipated to increase 4 percent to 1.62 million
- Paratransit Service
 - Total trips are anticipated to reach 1.42 million
- Major Capital Projects
 - Fixed-route bus purchase
 - Intelligent Transportation Management System (ITMS) equipment
 - Hydrogen station at the Garden Grove Base

Regional Rail Assumptions

- Metrolink Operations
 - Current assumption is for Metrolink service to remain flat year-over-year
 - Operations will be funded with M2 High Frequency Metrolink Service funds and federal funding
- Metrolink Capital
 - Capital budget includes coastal rail improvements, Cyprus Shore slope stabilization, and Laguna Niguel/Mission Viejo slope stabilization
 - Primarily funded by federal and state grants

Local Rail Assumptions

- Capital Assumptions
 - OC Streetcar budget continues to include funding for construction, as well as expenses related to pre-revenue/start-up phase and revenue service
 - Continues to be funded by the federal full funding grant agreement, state funds, and M2
- Operating Assumptions
 - Operations anticipated to begin in spring 2026

91 Express Lanes Program Assumptions

- Revenue Assumptions
 - Toll revenue is anticipated to increase based on anticipated trip growth
- Operating budget driven by costs for professional services, operating contract, and debt service
- Capital budget includes a contribution to the SR-91 improvements between SR-57 and SR-55 (M2 Program - Project I) and the cost for the toll management and back-office system

405 Express Lanes Program Assumptions

- Revenue Assumptions
 - Toll revenue is anticipated to increase based on anticipated utilization growth
- Expenditure Assumptions
 - Operating budget driven by professional services and the operating contract
- Capital budget includes construction close-out costs as well as costs for the toll management and back-office system

Next Steps

Preview Budget Workshop Presentation – F&A Committee	April 23
Budget Workshop Presentation – Board	May 12
Committee meetings and one-on-one meetings with Board Members	May 12 - June 9
Public Hearing Preview – F&A Committee	May 28
Public Hearing – Board (public hearing and approval)	June 9
Back-up Public Hearing – Board (public hearing and approval)	June 23