



Orange County Transportation Authority

Finance and Administration Committee Agenda

Wednesday, March 27, 2024 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Andrew Do
Jamey Federico
Stephanie Klopfenstein
Tam T. Nguyen
Vicente Sarmiento

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 listen to audio live streaming of the Board and 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 Nguyen

Closed Session

There are no Closed Session items scheduled.

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 1 through 5)

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.

1. Approval of Minutes

Clerk of the Board

Recommendation

Approve the minutes of the March 13, 2024 Finance and Administration Committee meeting.

Attachments:

[Minutes](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

2. College Pass Program, Internal Audit Report 24-506

Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the College Pass Program. Based on the audit, grant compliance controls are adequate; however, two recommendations have been made to improve contract language, to establish invoice and collection controls, and to develop and enforce controls over paper passes.

Recommendation

Direct staff to implement two recommendations provided in the College Pass Program, Internal Audit Report No. 24-506.

Attachments:

[Staff Report](#)

[Attachment A](#)

3. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2023, Internal Audit Report No. 24-509

Jonathan Thompson/Janet Sutter

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2023. Based on the audit, the Orange County Transportation Authority generally complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department made two recommendations to improve monthly investment and Clearwater system reporting.

Recommendation

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2023, Internal Audit Report No. 24-509.

Attachments:

[Staff Report](#)

[Attachment A](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

4. Amendment to the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project Agreement

Kirk Avila

Overview

On February 25, 2019, the Orange County Transportation Authority Board of Directors approved a contract with Parsons Transportation Group, Inc. to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. An amendment to the existing agreement is needed to provide additional plans, specifications, and estimates.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 12 to Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., in the amount of \$94,808, to provide additional plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project and to extend the term of the agreement through June 30, 2025. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$595,442.

Attachments:

[Staff Report](#)

[Attachment A](#)

5. Fiscal Year 2023-24 Second Quarter Budget Status Report

Victor Velasquez/Andrew Oftelie

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 second quarter of fiscal year 2023-24.

Recommendation

Receive and file as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

Regular Calendar

There are no Regular Calendar items scheduled.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Discussion Items

6. 405 Express Lanes Operational Update

Kirk Avila

Overview

Staff will provide an update on the operational aspects of the 405 Express Lanes.

Attachments:

[Presentation](#)

7. Public Comments

8. Chief Executive Officer's Report

9. Committee Members' Reports

10. Adjournment

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

10:30 a.m. on Wednesday, April 10, 2024

OCTA Headquarters

Board Room

550 South Main Street

Orange, California



Committee Members Present

Michael Hennessey, Chair
Patrick Harper, Vice Chair
Andrew Do
Jamey Federico
Stephanie Klopfenstein
Tam T. Nguyen
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
James Donich, General Counsel
OCTA Staff

Committee Members Absent

None

Call to Order

The March 13, 2024, regular meeting of the Finance and Administration Committee was called to order by Committee Chair Hennessey at 10:30 a.m.

Special Calendar

1. Investment Management Presentation - Chandler Asset Management

Andrew Oftelie, Chief Financial Officer, provided opening comments and introduced Jayson Schmitte, Co-Chief Investment Officer from Chandler Asset Management, who provided a PowerPoint presentation.

No action was taken on this informational item.

Consent Calendar (Items 2 through 7)

2. Approval of Minutes

A motion was made by Director Sarmiento, seconded by Director Klopfenstein, and declared passed by those present to approve the minutes of the February 28, 2024 Finance and Administration Committee meeting.

3. 91 Express Lanes Update for the Period Ending - December 31, 2023

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

4. Orange County Transportation Authority Investment and Debt Programs Report - January 2024

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



5. Second Quarter Fiscal Year 2023-24 Procurement Status Report

Director Nguyen pulled this item to thank staff for the well-attended "Meet the Primes" event. This event was overly positive, and Director Nguyen is excited that this aligns with the 2024 Board & CEO Initiatives.

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

6. Approval of Local Transportation Fund Fiscal Year 2024-25 Apportionment Estimates Amendment

A motion was made by Director Sarmiento, seconded by Director Klopfenstein, and declared passed by those present to approve the amendment to the Local Transportation Fund fiscal year 2024-25 apportionment estimates.

7. Local Transportation Fund Claims for Fiscal Year 2024-25

A motion was made by Director Sarmiento, seconded by Director Klopfenstein, and declared passed by those present to adopt Orange County Transit District Resolution No. 2024-008 authorizing the filing of Local Transportation Fund claims, in the estimated amounts of \$212,667,523 to support public transportation and \$11,273,686 for community transit services.

Regular Calendar

8. Agreement for Oversight of Orange County Transportation Authority Express Lanes Roadside Services

Kirk Avila, General Manager of Express Lanes, provided a report on this item.

A motion was made by Director Nguyen, seconded by Director Klopfenstein, and declared passed by those present, to:

- A. Approve the selection of California Highway Products as the firm to provide oversight of Orange County Transportation Authority Express Lanes roadside services.

- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-3010 between the Orange County Transportation Authority and California Highway Products to provide oversight of Orange County Transportation Authority roadside services, in the amount of \$3,381,978, for a five-year term, effective April 1, 2024, through March 31, 2029.



Discussion Items

9. Public Comments

There were no public comments received.

10. Chief Executive Officer's Report

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

- National Transit Employee Appreciation Day
- Los Angeles – San Diego – San Luis Obispo Rail Corridor Update

11. Committee Members' Reports

Committee Chair Hennessey requested that staff provide a presentation on the Investment and Debt Programs Report so new Committee Members can be familiarized with the process.

12. Adjournment

The meeting adjourned at 11:12 a.m.

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

10:30 a.m. on Wednesday, March 27, 2024

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

ATTEST:

Sahara Meisenheimer
Clerk of the Board Specialist



March 27, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: College Pass Program, Internal Audit Report No. 24-506

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the College Pass Program. Based on the audit, grant compliance controls are adequate; however, two recommendations have been made to improve contract language, establish invoice and collection controls, and develop and enforce controls over paper passes.

Recommendation

Direct staff to implement two recommendations provided in the College Pass Program, Internal Audit Report No. 24-506.

Background

The Marketing and Customer Engagement (MCE) Department within the People and Community Engagement (PACE) Division is responsible for administration and oversight of the College Pass Program (Program) and works with Finance and Administration (F&A) Division staff on invoicing, data warehousing, and grant revenue management.

OCTA has entered into ten agreements with all nine Orange County community colleges and the Rancho Santiago Canyon Community College District Continuing Education to provide bus passes to registered full-time and part-time students.

Students can generate a mobile ticket by downloading the OC Bus Mobile Ticketing Application (mobile App) to their smartphone, or colleges can encode the student's identification (ID) card, allowing them to swipe their college ID card

to board the bus. Not all colleges have implemented the infrastructure for activation of student ID cards. Several of the colleges were provided an inventory of 30-day paper passes for distribution to students during the pandemic for essential travel needs, and more recently, to distribute to students that do not have a smartphone or in the event the mobile App is not functioning properly.

Boarding activity is captured through the farebox on the bus, as well as through the mobile App. Boarding activity is available in OCTA's data warehouse for performance analysis, reporting, and billing purposes.

Discussion

Agreements do not include sufficient, accurate information outlining requirements and responsibilities for participation in the Program. In addition, enrollment information used to prepare invoices is not validated for reasonableness, invoices are not prepared promptly, and amounts due are not collected timely. Internal Audit recommended management amend agreements to accurately reflect all responsibilities and requirements for Program operation, and implement procedures for administration of the Program, including verification of enrollment data used for invoicing purposes, timely preparation of invoices, and collection of outstanding receivables. Management concurred and agreed to enhance agreement language by August 31, 2024, and implement oversight controls by September 30, 2024. Management also responded that accounts receivable procedures have been implemented to more effectively monitor and collect outstanding receivables.

The MCE Department has provided several colleges with paper 30-day college bus passes; however, agreements do not address requirements for security, inventory, distribution, or reporting controls. At the time of the audit, none of the colleges had instituted paper pass inventory and reconciliation controls. Over the last few years, passes valued at approximately \$398,000 have been provided to these colleges. Internal Audit recommended management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system. Management concurred with the recommendation and agreed to develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and to amend agreements to include the procedures.

Summary

Internal Audit has completed an audit of the College Pass Program and has offered two recommendations, which management agreed to implement or otherwise address.

Attachment

- A. College Pass Program, Internal Audit Report No. 24-506

Prepared by:



Gabriel Tang
Principal Internal Auditor
714-560-5746

Approved by:



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

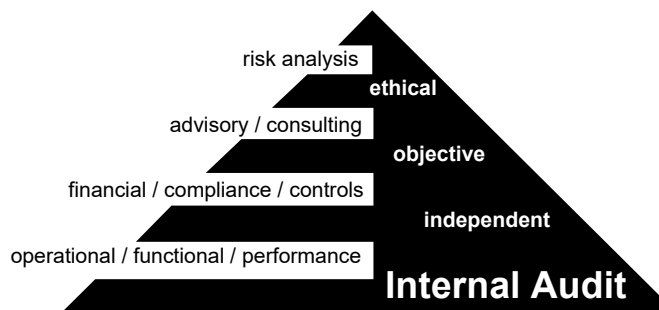
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



College Pass Program

Internal Audit Report No. 24-506

March 11, 2024



Audit Team:

Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to:

Maggie McJilton, Executive Director, People and Community Engagement
Andrew Oftelie, Chief Financial Officer, Finance and Administration
Alice Rogan, Stella Lin, Sean Murdock, Sam Kaur, Katie Gagnon, Rima Tan,
Nicole Sanchez

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

Table of Contents

Conclusion	1
Background	1
Objectives, Scope, and Methodology	3
Audit Comments, Recommendations, and Management Responses	5
Inadequate Agreement Language, Invoicing, and Collection Controls	5
Inadequate Controls over Paper Passes	6

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed a review of the College Pass Program (Program). Based on the audit, grant compliance controls are adequate; however, two recommendations have been made to improve contract language, to establish invoice and collection controls, and to develop and enforce controls over paper passes.

Background

In 2017, OCTA initiated a pilot Program with Santa Ana College (SAC) to allow all their students to ride any OC Bus at a very low cost (the fee is part of their semester registration fee) to help students access higher education, employment, and recreational opportunities.

Following the successful launch with SAC in 2017, OCTA staff began working with other community colleges to assess interest and program parameters that would work for their participation. As of fall 2022, all nine Orange County community colleges are participating in the Program, along with the Rancho Santiago Canyon Community College District Continuing Education (RSCCDCE).

To incentivize community colleges to participate, the first year of the Program is funded by the Low Carbon Transit Operations Program (LCTOP) grant, and years two and three are funded by the colleges, or through student fees collected as part of tuition.

The Marketing and Customer Engagement (MCE) Department within the People and Community Engagement (PACE) Division is responsible for administration and oversight of the Program and works with Finance and Administration (F&A) Division staff on invoicing, data warehousing, and grant revenue management.

OCTA has entered into ten agreements with the nine community colleges and the RSCCDCE, to provide bus passes to registered full-time and part-time students. There are currently three agreement cost structures: (1) colleges that choose to pay a flat annual fee, (2) colleges that pay a fee per student based on final enrollment counts each semester, and (3) colleges that are assessed a fee per student boarding, calculated at the end of each semester.

Colleges upload a refreshed list of student identification numbers, along with student email addresses, to OCTA each day. Students can then generate a mobile ticket by downloading the OC Bus Mobile Ticketing Application (mobile App) to their smartphone, or colleges can encode the student's identification (ID) card, allowing them to swipe their college ID card to board the bus. Not all colleges have implemented the infrastructure for activation of student ID cards. Several of the colleges were provided an inventory of 30-day paper passes for distribution to students during the pandemic for essential travel

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

needs, and more recently, to distribute to students that do not have a smart phone or in the event the mobile App is not functioning properly.

Boarding activity is captured through the farebox on the bus, as well as through the mobile App. Boarding activity is available in OCTA's data warehouse for performance analysis, reporting and billing purposes. Data recorded includes date, time, location, route, driver ID, vehicle ID, ticket type, etc.

Invoice Process

Colleges that are assessed a flat annual fee are billed twice per year. The Revenue Administration Department (Revenue) generates an invoice request, and the invoice is generated by the Accounts Receivable (AR) Section within F&A.

Colleges that are assessed a fee per student are billed after receipt of the final enrollment count each semester. The project manager forwards enrollment data to Revenue for preparation of the invoice request. The invoice request is sent to AR and an invoice is generated.

Colleges that are assessed a fee per boarding are billed at the end of each semester. Revenue obtains boarding information from the OCTA data warehouse and prepares an invoice request and AR generates the invoice.

Each quarter, Revenue calculates the amount eligible for LCTOP funding and requests a drawdown. Annually, Revenue will prepare and submit the required LCTOP Project Activity Report for the College Pass Program to the California Department of Transportation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024

Objectives, Scope, and Methodology

The objectives were to assess and test oversight and compliance controls related to administration of the College Pass Program.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Activities
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Information and Communication
 - OCTA communicates with external parties regarding matters affecting the functioning of internal control.

The methodology consisted of evaluating compliance with key contract terms, testing invoices and remittances for evidence of billing controls and contract compliance, assessing oversight controls, and performing selected tests to identify misuse of passes and reasonableness of enrollment data provided by colleges. Internal Audit also assessed and tested controls over inventory and reconciliation of paper passes distributed to colleges, and tested LCTOP reimbursement drawdowns for accuracy and tested compliance with required annual report submission.

The scope was limited to Agreement No. C-7-1871 with the RSCCDCE, Agreement No. C-7-1833 with SAC, Agreement No. C-8-1790 with Rancho Santiago Canyon College, Agreement No. C-9-1418 with Fullerton College, Agreement No. C-9-1401 with Golden West College, Agreement No. C-0-2423 with Saddleback College, Agreement No. C-0-2696 with Cypress College, Agreement No. C-1-3440 with Irvine Valley College, Agreement No. C-1-3439 with Coastline College, Agreement No. C-2-2529 with Orange Coast College, and all amendments to the agreements. The scope included all invoices paid from July 2022 through October 2023, data warehouse ridership data of student ID numbers with both mobile App activity and paper pass activity during the period January 2023 through October 2023, as well as excessive daily activity during the period August 2023 through October 2023. The scope also included all paper pass distributions during the period January 2020 through October 2023. Lastly, the scope included all quarterly drawdowns from July 2022 through October 2023, and the LCTOP Project Activity Report for fiscal year 2023.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

Internal Audit conducted this performance audit in accordance with GAGAS. 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
College Pass Program
March 11, 2024**

Audit Comments, Recommendations, and Management Responses

Inadequate Agreement Language, Invoicing, and Collection Controls

Agreements do not include sufficient, accurate information outlining requirements and responsibilities of the Program. In addition, enrollment information used to prepare invoices is not validated for reasonableness, invoices are not prepared promptly, and amounts due are not collected timely.

Agreements with colleges include standard language outlining responsibilities and requirements for coding student ID cards, providing detailed statements of registered students, submitting payments within specified timeframes, and submitting certified statements with payments; however, the language is not tailored to address the different cost structures of the colleges, is not reflective of current practices for invoicing and payment receipt, and compliance with the stated requirements is not enforced.

Enrollment data provided by colleges as a basis for preparing invoices is not compared to available data of enrolled students for reasonableness. Testing of 11 invoices issued based on a fee per enrolled student identified discrepancies between the number of enrolled students reported by the college and the number of students registered to utilize the mobile App. Upon inquiry, one college confirmed that enrollment data was overstated by 59 percent, resulting in an overbilling of approximately \$92,000. Another college understated enrollment by 32 percent resulting in an underbilling of approximately \$6,000. OCTA staff has access to data reflecting the total number of students provided with mobile App access; however, staff do not currently compare those figures to the number reported by the colleges for billing purposes.

Further, the testing noted significant delays in the preparation of invoices and collection of related receivables. Twenty-two of 25 invoices tested were prepared from two to nine months late. In addition, despite the fact that invoices are marked "Due Upon Receipt", and nine of ten agreements include required timelines for colleges to submit payments, testing found eight of 25 invoices were collected between 34 to 159 days after invoice issuance and another 11 invoices, totaling \$676,058, remained uncollected at the conclusion of the audit, ranging from 61 days to 357 days after invoice issue date. AR staff acknowledged there was no system in place to monitor outstanding receivables at the time of the testing period; however, AR staff asserted that a procedure for collecting payment on aging receivables was implemented in December 2023.

Recommendation 1:

Internal Audit recommends agreements be amended to accurately reflect all responsibilities and requirements for Program operation. Agreement language should sufficiently and accurately outline procedures and management should enforce agreement requirements. Management should also develop, document, and implement

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

procedures for administration of the Program, including procedures for verifying the reasonableness of enrollment data provided by colleges for invoicing purposes and timely preparation of invoices. Management should implement procedures developed in December 2023, to monitor and collect outstanding receivables.

Management Response (PACE):

Management concurs with the recommendations. Since 2017, the pilot Program has grown from one college to all nine Orange County community colleges. Management agrees that the agreements need to be more specific to each college, and procedures need to be formalized to administer the program beyond the pilot phase. Management will review and enhance agreement language by August 31, 2024. In addition, management will ensure the documentation and implementation of specific procedures for each aspect of Program administration and will outline specific responsibility area(s) for Program implementation and oversight by September 30, 2024.

Management Response (F&A):

Management agrees and has implemented new AR procedures to more effectively monitor and collect outstanding receivables.

Inadequate Controls over Paper Passes

The MCE Department has provided several colleges with paper 30-day college bus passes; however, agreements do not address requirements for security, inventory, distribution, or reporting controls. In addition, Internal Audit found some bus passes that were not coded as college passes for purposes of activity tracking, and most of the issued passes were not associated with a student. Only two colleges had submitted distribution reports identifying the students to whom passes were issued, and, at the time of the audit, none of the colleges had instituted inventory and reconciliation controls. Over the last few years, passes valued at approximately \$398,000 have been provided to these colleges.

Recommendation 2:

Internal Audit recommends management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
College Pass Program
March 11, 2024**

Management Response:

Management concurs with the recommendation. At the inception of the pilot Program, management did not anticipate the need to distribute paper passes for the program since the preferred method of fare collection is student ID card or the mobile App. However, once it became necessary to provide the colleges with paper passes during the pandemic, implementation of more formal controls for the colleges should have been established.

Management will develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and amend agreements to include the procedures.

Management has worked with the colleges that received paper passes to gather reporting for confirmation of reconciliation and validation of the paper passes that were distributed to students. In addition, most of the paper passes that were not distributed to students were accounted for and returned to OCTA. Some of the colleges elected to keep a moderate inventory on hand with safe storage mechanisms in place. As of February 29, 2024, most distributed paper passes with a total worth of \$396,382, have been reconciled, returned, or remain in their inventory.



March 27, 2024

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2023, Internal Audit Report No. 24-509

Overview

The Internal Audit Department has completed an audit of investments for the period July 1 through December 31, 2023. Based on the audit, the Orange County Transportation Authority generally complied with its debt, investment, and reporting policies and procedures; however, the Internal Audit Department made two recommendations to improve monthly investment and Clearwater system reporting.

Recommendation

Direct staff to implement two recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2023, Internal Audit Report No. 24-509.

Background

The Treasury Department (Treasury) is responsible for the management of the Orange County Transportation Authority's (OCTA) Investment Portfolio (Portfolio). On December 31, 2023, the Portfolio's book value was approximately \$2.5 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. OCTA's Treasurer manages the liquid and bond proceeds portfolios, and four external investment managers administer the short-term 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.

Monthly Investment and Debt Programs Reports (monthly investment reports) are submitted to the Finance and Administration Committee (Committee) and Board of Directors.

Discussion

The monthly investment report for September 2023 understated the Fidelity Money Market Government Portfolio balance by \$88,587.79, and the monthly investment report for November 2023 overstated the value of the 2021 Bond Anticipation Notes First American Treasury Obligations by \$219.10. In both cases, bank statements were not used to obtain the month-end balances used in the report. Internal Audit recommended bank statements be used to prepare monthly investment reports. Management agreed to use bank statements going forward.

Clearwater charges OCTA a monthly fee based on a percentage of portfolio market value. Market values in Clearwater are updated through automated data feeds, except for seven accounts, for which values are not automatically obtained and are not updated in the system. As a result, OCTA pays approximately \$350 per month in fees to Clearwater for the accounts whose values are not properly reflected in the system. Internal Audit recommended management discontinue paying fees for these seven accounts unless a process to automatically update the portfolio values can be implemented. Management agreed and has removed the accounts from the system until such time that a resolution to the issues can be achieved.

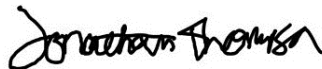
Summary

Internal Audit has completed an audit of investments for the period July 1 through December 31, 2023, and has offered two recommendations for improvement.

Attachment

- A. Investments: Compliance, Controls, and Reporting, July 1 through
December 31, 2023, Internal Audit Report No. 24-509

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



Investments: Compliance, Controls, and Reporting July 1 through December 31, 2023

Internal Audit Report No. 24-509 March 13, 2024



Audit Team: Jonathan Thompson, Internal Auditor *Jonathan Thompson*
Ricco Bonelli, CIA, Principal Auditor

Distributed to: Andrew Oftelie, Chief Financial Officer, Finance and Administration
Sean Murdock, Robert Davis, Changsu Lee

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2023
March 13, 2024**

Table of Contents

Conclusion	1
Objectives, Scope, and Methodology	2
Audit Comments, Recommendations, and Management Responses	4
Monthly Investment Report Preparation	4
Clearwater System Reporting and Fees	4

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2023
March 13, 2024

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of investments for the period July 1 through December 31, 2023. Based on the audit, the Orange County Transportation Authority (OCTA) generally complied with its debt, investment, and reporting policies and procedures; however, Internal Audit made two recommendations to improve monthly investment and Clearwater system reporting.

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, 2023, the Portfolio's book value was approximately \$2.5 billion. The Portfolio consists of three managed portfolios: the liquid portfolio for immediate cash needs, a bond proceeds portfolio to meet Measure M2 transportation program needs, and the short-term portfolio for future budgeted expenditures. OCTA's Treasurer manages the liquid and bond proceeds portfolios, and four external investment managers administer the short-term 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, 2023
March 13, 2024

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.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to integrity and ethical values.
 - Management establishes, with Finance and Administration Committee and Board of Directors (Board) oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Information and Communication
 - OCTA obtains, or generates and uses, relevant quality information to support the functioning of other components of internal control.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Investments: Compliance, Controls, and Reporting
July 1 through December 31, 2023
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- Monitoring
 - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The scope included investment transactions and investment-related controls for the period July 1 through December 31, 2023.

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 a haphazard sample of investment purchases for compliance with the Investment Policy and evidence of supervisory review, testing a judgmental sample of wire and automated clearing house (ACH) transfers for accuracy and proper authorization, 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, 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. 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 GAGAS. 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, 2023
March 13, 2024**

Audit Comments, Recommendations, and Management Responses

Monthly Investment Report Preparation

The Monthly Investment Report for September 2023 understated the Fidelity Money Market Government Portfolio balance by \$88,587.79, and the Monthly Investment Report for November 2023 overstated the value of the 2021 Bond Anticipation Notes First American Treasury Obligations by \$219.10. In both cases, bank statements were not used to obtain the month-end balances used in the report.

Recommendation:

Internal Audit recommends Treasury utilize month-end bank statements when preparing monthly reports.

Management Response:

Management agrees to ensure that month-end bank statements are used for monthly reports.

Clearwater System Reporting and Fees

OCTA relies on investment information from the Clearwater system for data analysis and reporting. Clearwater charges OCTA a monthly fee based on a percentage of portfolio market value. Market values in Clearwater are updated through automated data feeds, except for seven accounts, for which values are not automatically obtained and are not updated in the system. As a result, OCTA pays approximately \$350 per month in fees to Clearwater for the accounts whose values are not properly reflected in the system.

Recommendation:

Internal Audit recommends OCTA discontinue paying fees associated with these seven accounts unless a process to automatically update the portfolio values of these accounts can be implemented.

Management Response:

Management agrees and has been actively addressing the issues pertaining to the subject accounts. The accounts have been removed from the Clearwater system until such time that a permanent resolution is achieved.



March 27, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project Agreement

Overview

On February 25, 2019, the Orange County Transportation Authority Board of Directors approved a contract with Parsons Transportation Group, Inc. to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project. An amendment to the existing agreement is needed to provide additional plans, specifications, and estimates.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 12 to Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., in the amount of \$94,808, to provide additional plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project and to extend the term of the agreement through June 30, 2025. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$595,442.

Discussion

The Orange County Transportation Authority (OCTA) segment of the 91 Express Lanes has three entrances, two in the eastbound direction and one in the westbound direction. Kapsch TrafficCom USA, Inc., (Kapsch) is the toll lane system integrator for both the 91 Express Lanes and 405 Express Lanes, responsible for the design, installation, operations and maintenance of the electronic toll and traffic management (ETTM) system for both toll facilities. The 91 Express Lanes ETTM System Project includes replacement of the ETTM system, as well as the installation of additional toll reader equipment at the three entrances to the OCTA segment of the 91 Express Lanes.

The two eastbound entrance gantries have been in place since the mid-1990s and were replaced in order to meet the California Department of Transportation (Caltrans) standards. Additionally, a new westbound entrance gantry needed to be constructed. In 2019, OCTA entered into an agreement with Parsons Transportation Group, Inc., (Parsons) to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project (Project) in preparation for Kapsch to install the additional equipment at the gantries. In 2020, an agreement was executed between OCTA and Caltrans to advertise, award, and administer an agreement for the construction of the three new gantry overhead structures for the 91 Express Lanes. Caltrans completed the construction of the westbound entrance gantry and turned over the site to Kapsch for the installation of the westbound entrance gantry equipment. The westbound entrance gantry equipment installation was completed in 2023.

During the implementation of the 405 Express Lanes ETTM system, it was realized that changes to the initial electrical design were required to deploy the system. Since the 405 Express Lanes and 91 Express Lanes are utilizing the same technologies and ETTM system, these changes must also be made to the electrical design for the 91 Express Lanes eastbound entrances. An amendment is needed for Parsons to prepare the electrical design plan sheets. Caltrans has completed construction of the two eastbound entrance gantries and is currently going through punch-list items prior to site turnover to Kapsch. The electrical work is outside of Caltrans' scope.

Procurement Approach

The original procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for architectural and engineering services, which conform to both state and federal laws. The original firm-fixed price agreement was issued on June 12, 2019, in the amount of \$364,495. This agreement has been previously amended as shown in Attachment A.

OCTA staff negotiated with Parsons the required level of effort to provide the additional design services required through June 30, 2025. Staff found Parsons' cost proposal, in the amount of \$94,808, to be fair and reasonable relative to the negotiated level of effort and the independent cost estimate prepared by the OCTA project manager. Proposed Amendment No. 12 to Agreement No. C-8-2107, in the amount of \$94,808, will increase the total contract value to \$595,442.

Fiscal Impact

The additional funding for the project is included in OCTA's Fiscal Year 2023-24 Budget, 91 Express Lanes, Account No. 0036-7519-B3250-TDV and is funded with toll revenues.

Amendment to the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project Agreement **Page 3**

Summary

Staff requests Board of Directors' approval to authorize the Chief Executive Officer to negotiate and execute Amendment No. 12 to Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., in the amount of \$94,808, to provide additional plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project and to extend the term of the agreement through June 30, 2025. This will increase the maximum obligation of the agreement to a total contract value of \$595,442.

Attachment

- A. Parsons Transportation Group, Inc., Agreement No. C-8-2107 Fact Sheet

Prepared by:



Kirk Avila
General Manager
Express Lanes Programs
(714) 560-5674



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

**Parsons Transportation Group, Inc.
Agreement No. C-8-2107 Fact Sheet**


1. February 25, 2019, Agreement No. C-8-2107, \$364,495, approved by the Board of Directors (Board).
 - Agreement was executed June 12, 2019, with Parsons Transportation Group, Inc. (prime) to provide the plans, specifications, and estimates (PS&E), and environmental and construction support services for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project (Project).
2. July 18, 2019, Amendment No. 1 to Agreement No. C-8-2107, \$10,015, approved by Contracts Administration and Materials Management (CAMM) Department.
 - Add new subconsultant, Psomas, to provide surveying services related to the design of the toll infrastructure.
3. January 9, 2020, Amendment No. 2 to Agreement No. C-8-2107, \$7,681, approved by the CAMM Department.
 - To provide additional surveying services due to modifications at the State Route 55 and State Route 91 Express Lanes connector.
4. March 11, 2020, Amendment No. 3 to Agreement No. C-8-2107, \$0, approved by the CAMM Department.
 - To extend the term of agreement for 13 months through June 30, 2021.
5. May 12, 2020, Amendment No. 4 to Agreement No. C-8-2107, \$38,079, approved by the CAMM Department.
 - Additional support services to transition the final PS&E due to a change in delivery approach from the Orange County Transportation Authority (OCTA) to the California Department of Transportation (Caltrans).
6. October 6, 2020, Amendment No. 5 to Agreement No. C-8-2107, \$37,981, approved by the CAMM Department.
 - To prepare design engineering evaluation report as required by Caltrans.

7. February 18, 2021, Amendment No. 6 to Agreement No. C-8-2107, \$14,587, approved by the CAMM Department.
 - To update the final PS&E for the Project as required by Caltrans.
 - To extend the term of agreement for six months through December 31, 2021.
8. October 4, 2021, Amendment No. 7 to Agreement No. C-8-2107, \$0, approved by the CAMM Department.
 - To extend the term of agreement for three months through March 31, 2022.
9. March 28, 2022, Amendment No. 8 to Agreement No. C-8-2107, \$0, approved by the CAMM Department.
 - To extend the term of agreement for six months through September 30, 2022.
10. May 28, 2022, Amendment No. 9 to Agreement No. C-8-2107, \$27,796, approved by the CAMM Department.
 - To update the final PS&E for the Project as required by Caltrans.
11. September 26, 2022, Amendment No. 10 to Agreement No. C-8-2107, \$0, approved by the CAMM Department.
 - To extend the term of agreement for nine months through June 30, 2023.
12. March 9, 2023, Amendment No. 11 to Agreement No. C-8-2107, \$0, approved by CAMM Department.
 - To extend the term of agreement for 12 months through June 30, 2024.
13. April 8, 2024, Amendment No. 12 to Agreement No. C-8-2107, \$94,808, pending approval by the Board.
 - To provide additional PS&E services through completion and closeout of the Project.
 - To extend the term of the agreement by 12 months through June 30, 2025.

Total funds committed to Parsons Transportation Group, Inc. after approval of Amendment No. 12 to Agreement No. C-8-2107: \$595,442.



March 27, 2024

To: Finance and Administration Committee  For
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2023-24 Second 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 second 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 second 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
	<i>Subtotal Amendments</i>	<i>23,543</i>
	Total Working Budget	\$ 1,722,013

*in thousands

Discussion

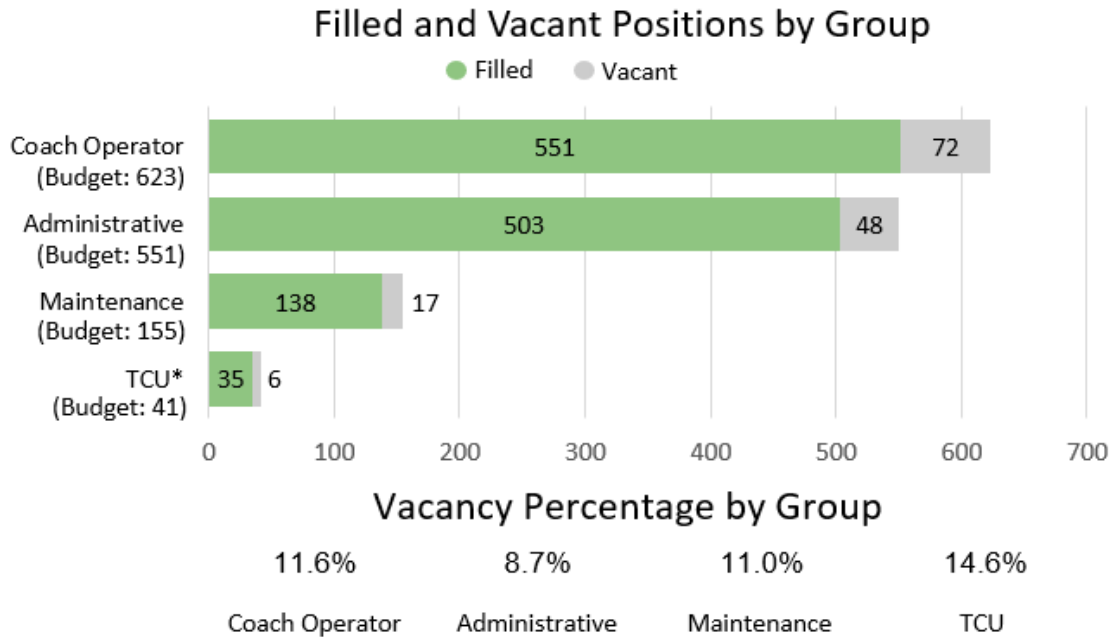
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist 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

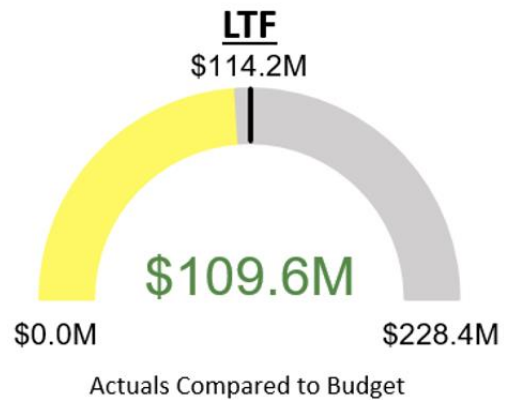
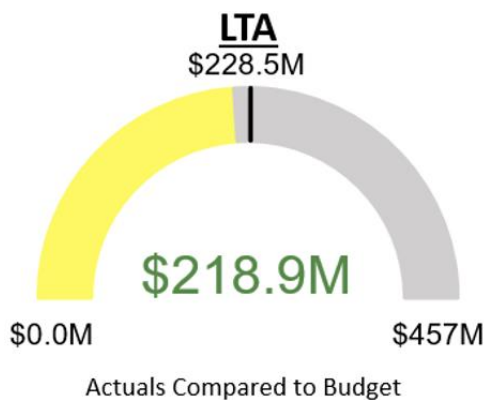
Total salaries and benefits were \$17.1 million under the budget of \$111.5 million. This is primarily due to staffing vacancies agency-wide and a one-time deferred compensation reconciliation payment, in the amount of \$8 million, that was budgeted for in FY 2023-24 but was expensed in FY 2022-23.



*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 second quarter. LTA sales tax receipts of \$218.9 million were \$9.6 million lower than the budget and LTF sales tax receipts of \$109.6 million were \$4.6 million lower than the budget. While both the LTA and LTF sales tax figures are below budget for the second quarter of the FY, both programs have strong reserve balances to withstand declines in sales tax. This is an area that staff will continue to monitor closely.

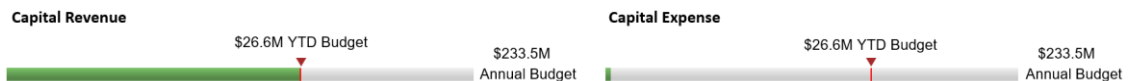


Major Programs

Bus Program

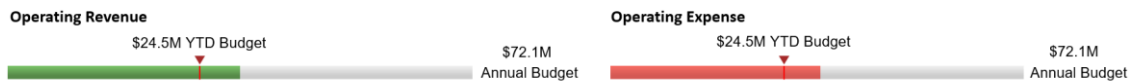


Bus Program operating revenue of \$200 million aligned to the budget. Bus Program operating expenses of \$135.8 million were \$29.8 million under the budget. Staffing vacancies in the coach operator and administrative groups, as well as the deferred compensation reconciliation payment, contributed \$11.3 million to the underrun. Additionally, recurring as-needed services and supplies, including fuel, maintenance parts, and marketing efforts experienced an underrun of \$10.8 million, reflecting the variability in usage of these items. Lastly, there was an underrun in the amount of \$6.3 million due to lower than anticipated expenditures on contracted services. This underrun is primarily due to contracted fixed route rates differing from what was anticipated when the budget was developed, as well as the timing of invoices related to start-up costs. In terms of contracted fixed-route rates, the budget projections were initially set at an hourly rate of \$100 factoring in potential fluctuations in service levels. However, actual service levels have surpassed the budget projections leading to a reduced hourly rate of \$86 per hour. This has led to an underrun of \$2 million that will remain throughout the FY. In addition, there is approximately \$2.1 million related to start-up costs that was anticipated to be paid in the second quarter that is now anticipated to be paid in the fourth quarter.



Bus Program capital revenue of \$26.6 million was in line with the budget. Bus Program capital expenses were \$26.1 million lower than the budget of \$26.6 million primarily due to the timing of the procurement of fixed-route and paratransit vehicles which have been postponed until FY 2024-25. Additionally, electric vehicle charging equipment and Transit Security and Operations Center design are in the process of procurement and anticipated to begin by the end of the FY. Capital revenue was in line with the budget, despite expenditures underrunning the budget, due to grant revenue that was anticipated to be received last FY being received in the current FY.

Rail Program

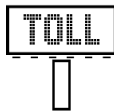


Rail Program operating revenue ties directly to the operating expense. Both operating revenue and expense of \$29.7 million were \$5.2 million higher than the budget. This was primarily due to the invoice timing of the operating subsidy for Metrolink. The invoice for the operating subsidy was received and paid earlier than anticipated when the budget was developed. The Metrolink Operating Subsidy expense is anticipated to align with the budget by end of the FY.



Rail Program capital revenue of \$0.2 million was \$0.5 million lower than budgeted. This was primarily due to less than anticipated revenue reimbursements based on lower capital expenses through the second quarter. Rail capital expenses came in \$0.3 million lower than budgeted. This was due to less than anticipated close out costs for the Anaheim Canyon Metrolink Station project through the second quarter.

91 Express Lanes Program



The 91 Express Lanes Program operating revenue of \$36.7 million exceeded the budget by \$6.8 million, primarily due to higher trip volumes than anticipated during budget development. The overrun is anticipated to continue through the FY. Operating expenses of \$7.5 million were \$0.8 million lower than the budget of \$8.3 million, primarily due to the timing of utilization and invoicing of tow services and collection services.



Both the 91 Express Lanes Program capital revenue and expenditures aligned with the budget.

Motorist Services Program

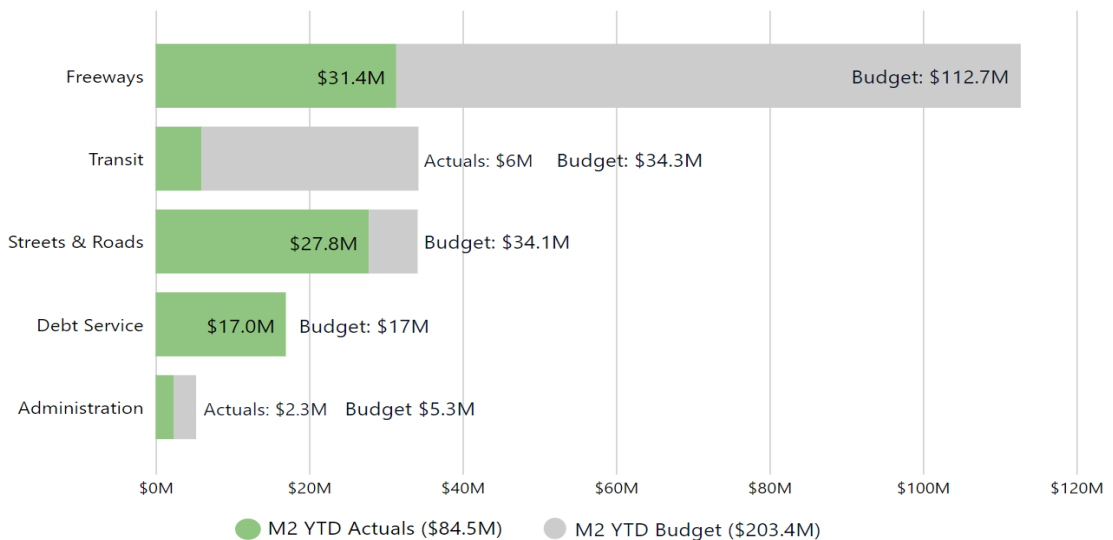


Motorist services operating revenue of \$4.8 million aligned with the budget. Motorist services operating expenses of \$3.4 million were \$1.4 million lower than the budget. This was primarily due to the timing of invoices for Freeway Service Patrol towing costs and the expense is anticipated to align with the budget by the end of the year.

M2 Program

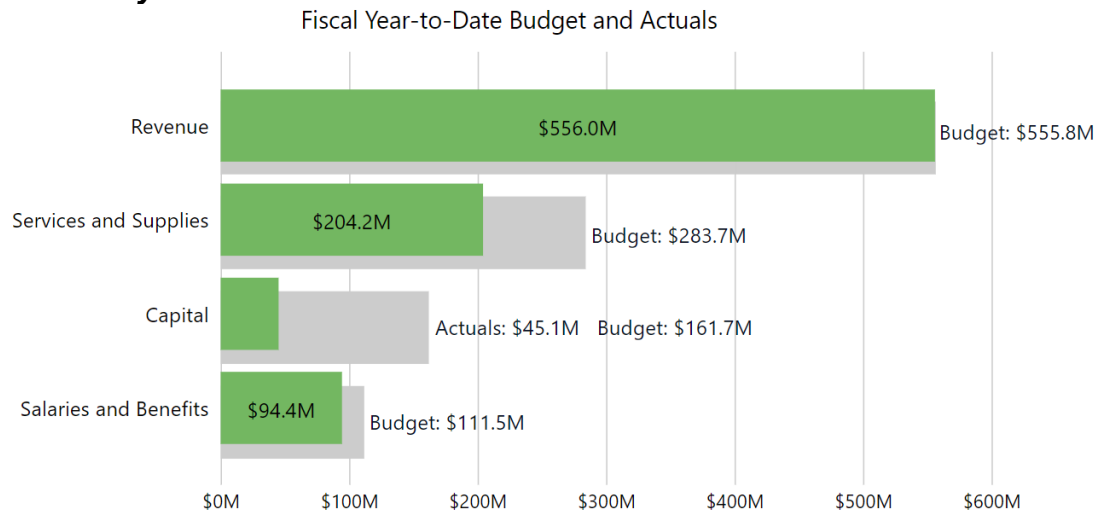


M2 Program Budget and Actuals by Mode



Total actual expenses for the M2 Program of \$82.3 million underran the budget by \$118.9 million, primarily due to the timing of construction and right-of-way (ROW) payments for freeway projects (\$79.5 million) including the Interstate 5 (I-5) to El Toro Road Project, Interstate 405 San Diego Freeway Improvements, and State Route 55 (SR-55) Costa Mesa Freeway Improvements. Additionally, the San Juan Creek Bridge replacement also contributed to the underrun (\$22.5 million) due to Metrolink awarding the contract later than anticipated at time of budgeting. Lastly, lower than anticipated contributions to other agencies for local fair share (\$6.6 million) and community-based transit circulators (\$3.8 million) contributed to the underrun.

Summary



Overall, revenue of \$556 million aligned with budget of \$555.8 million. Although sales tax collections were \$14.2 million under budget, this amount was offset by higher than anticipated toll revenue and grant revenue that was received in the current FY that was anticipated to be received in the prior FY.

Operating expenses of \$204.2 million were \$79.5 million under budget, primarily due to the timing of expenses for freeway services, contributions to local agencies for local fair share, the San Juan Creek Bridge Replacement Project, and transit circulators. Additionally, contracted services, as-needed services and supplies, and paratransit services contributed to the underrun.

Capital expenses of \$45.1 million were \$116.6 million under budget, primarily due to the timing of construction and ROW expenses for the I-5 Santa Ana Project, State Route 91 Riverside Freeway Improvements, and SR-55 Costa Mesa Freeway Improvements. Additionally, procurement of revenue vehicles has been re-budgeted in FY 2024-25.

Salaries and benefits of \$94.4 million underran the budget by \$17.1 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. Fiscal Year 2023-24 Second Quarter Budget Status Summary

Prepared by:



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

Approved by:



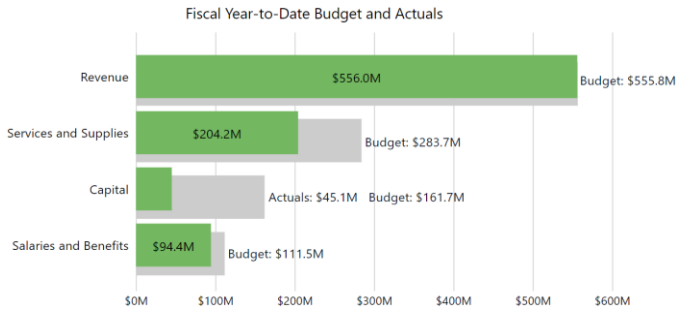
Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



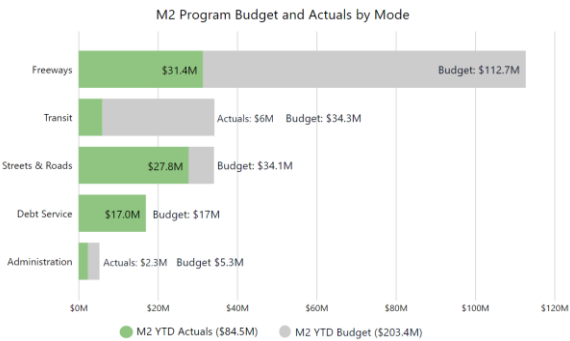
FY 2023-24 Second Quarter Budget Status Summary

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

Total Authority

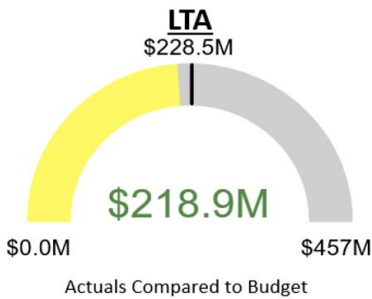


Staffing

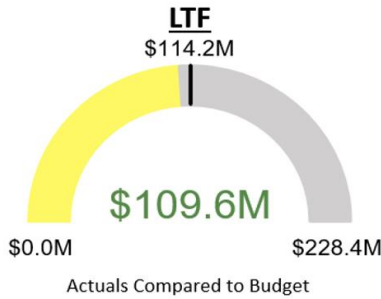


Sales Tax Receipts

Local Transportation Authority (LTA)



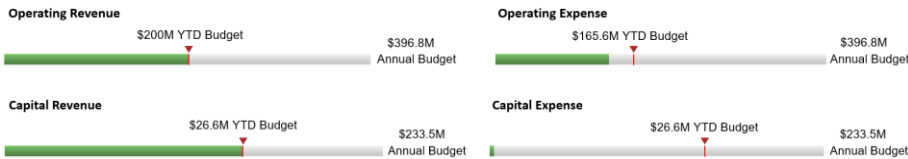
Local Transportation Fund (LTF)



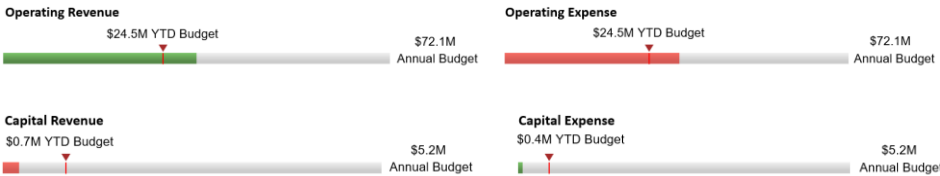
Major Operating Programs

Year-to-Date (YTD)

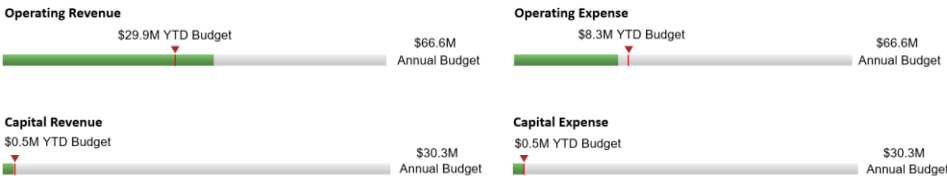
Bus Program



Rail Program



91 Express Lanes Program



Motorist Services Program



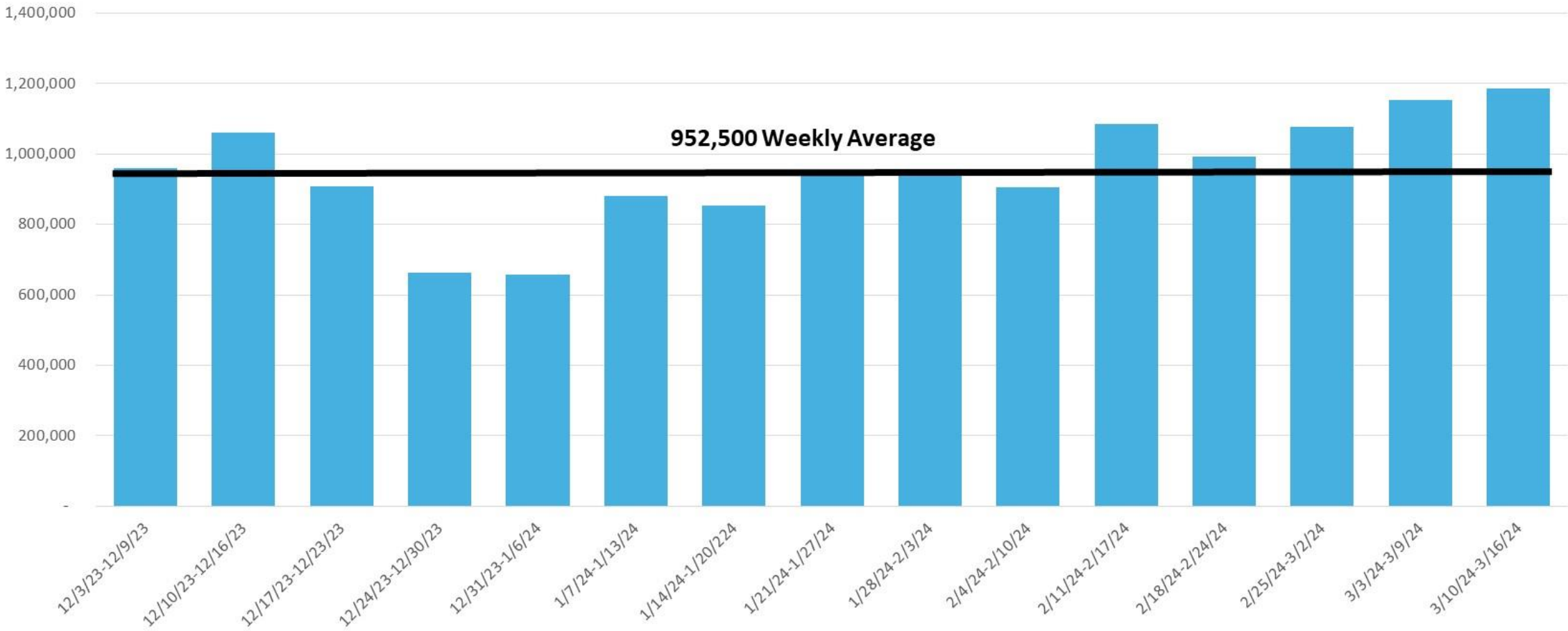


405 Express Lanes Operational Update

Background

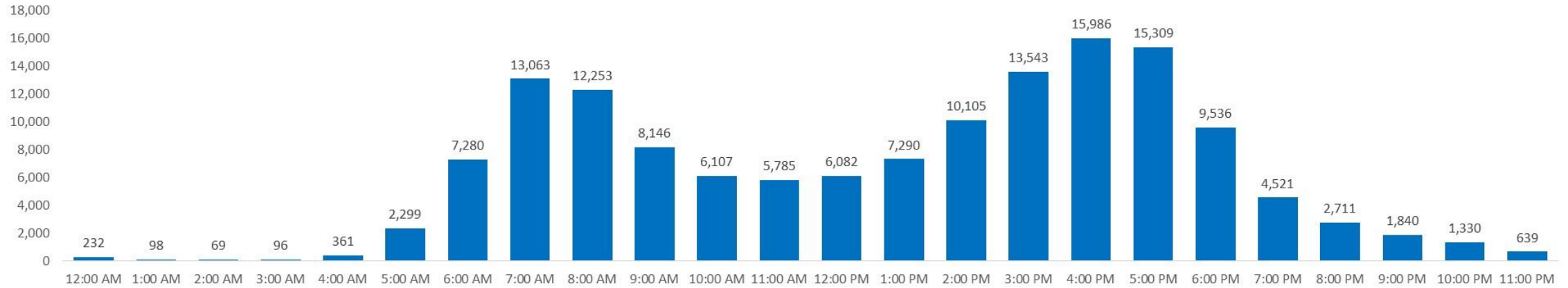
- Transactions, trips, and revenues continue to grow on the 405 Express Lanes
- Opening of new accounts have averaged 200 per week
- Continue to monitor the progress of the back-office software system
- Traffic Operations Center, Freeway Service Patrol, and California Highway Patrol coordination working well

Weekly Transactions

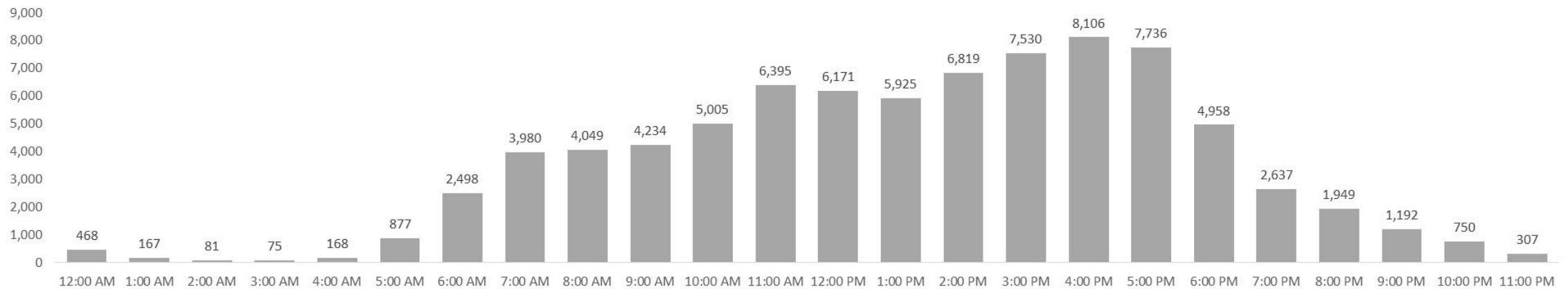


Transactions By Hour

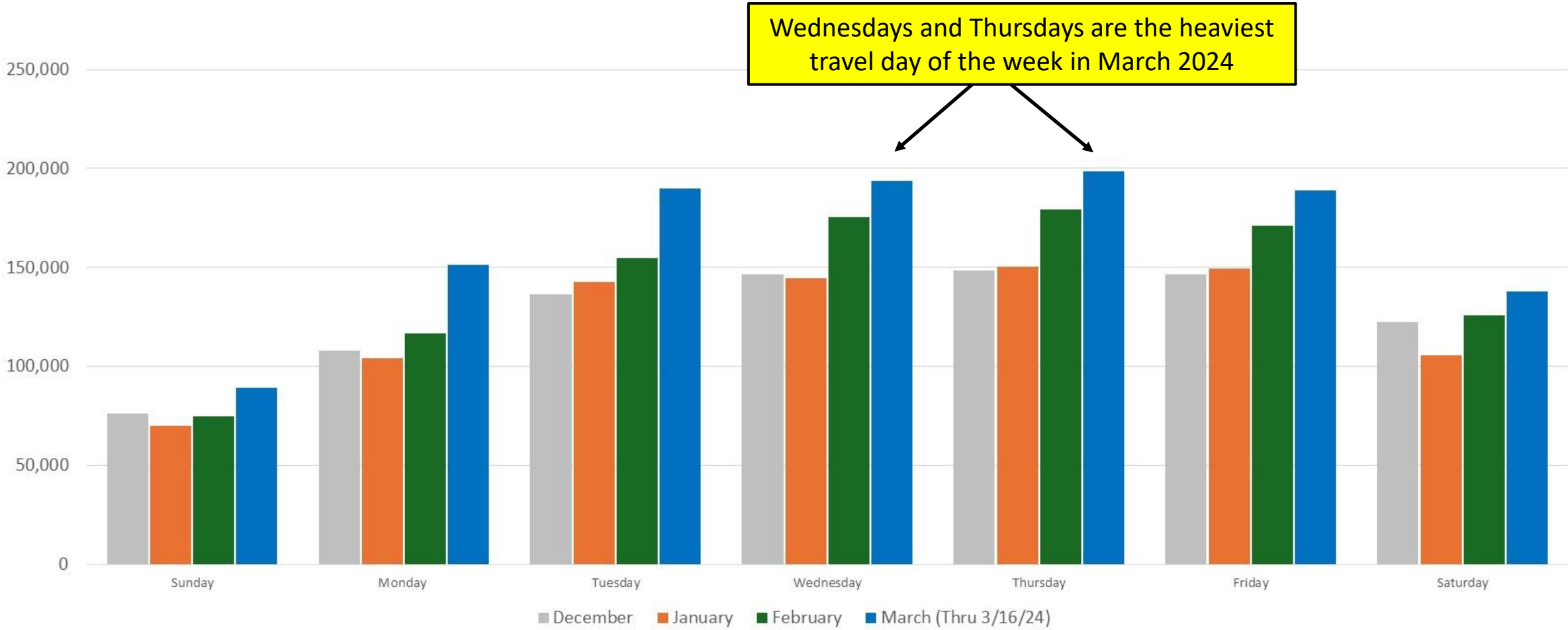
Average Weekday Transactions By Hour - March 2024



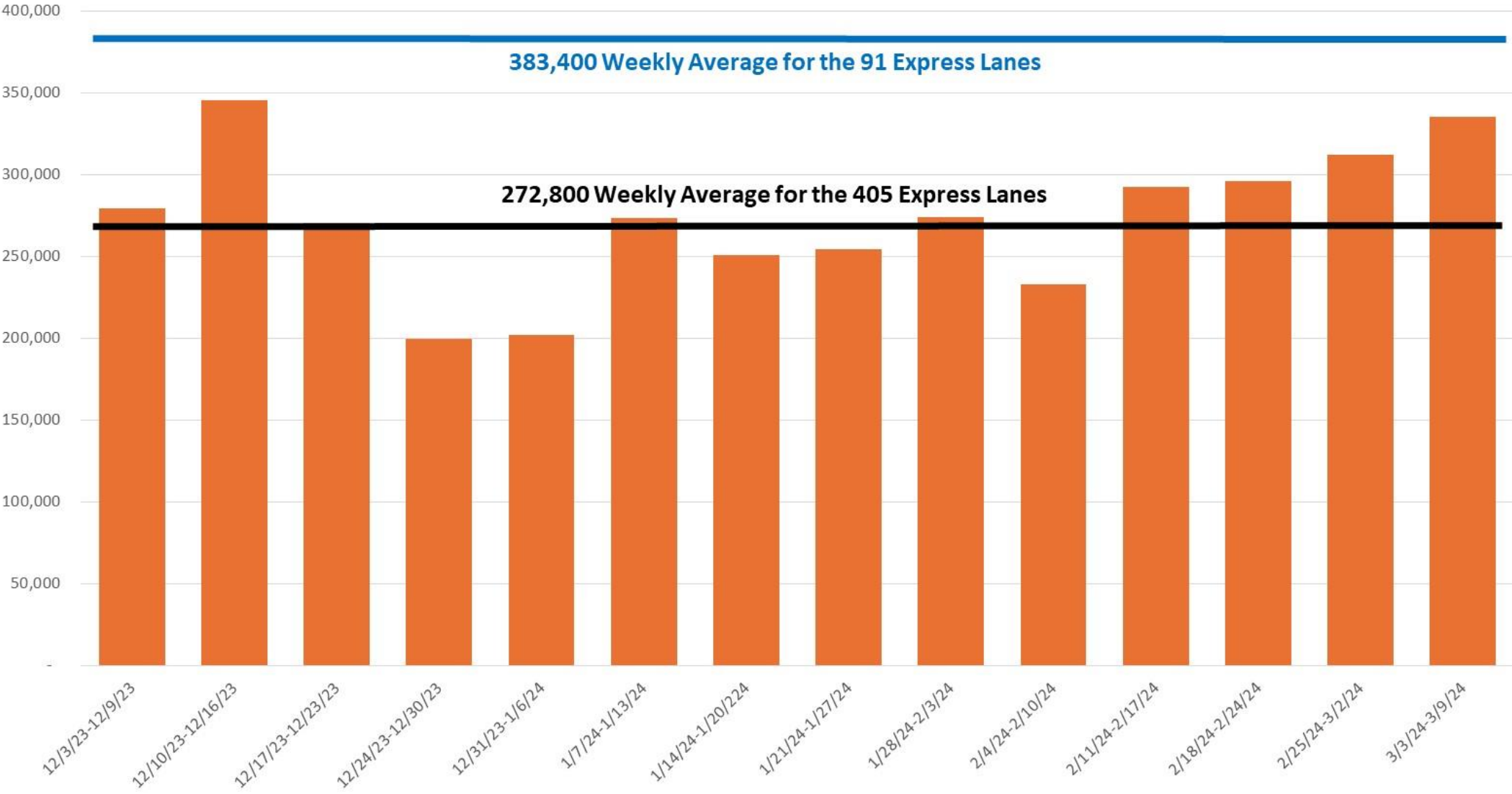
Average Weekend Transactions By Hour - March 2024



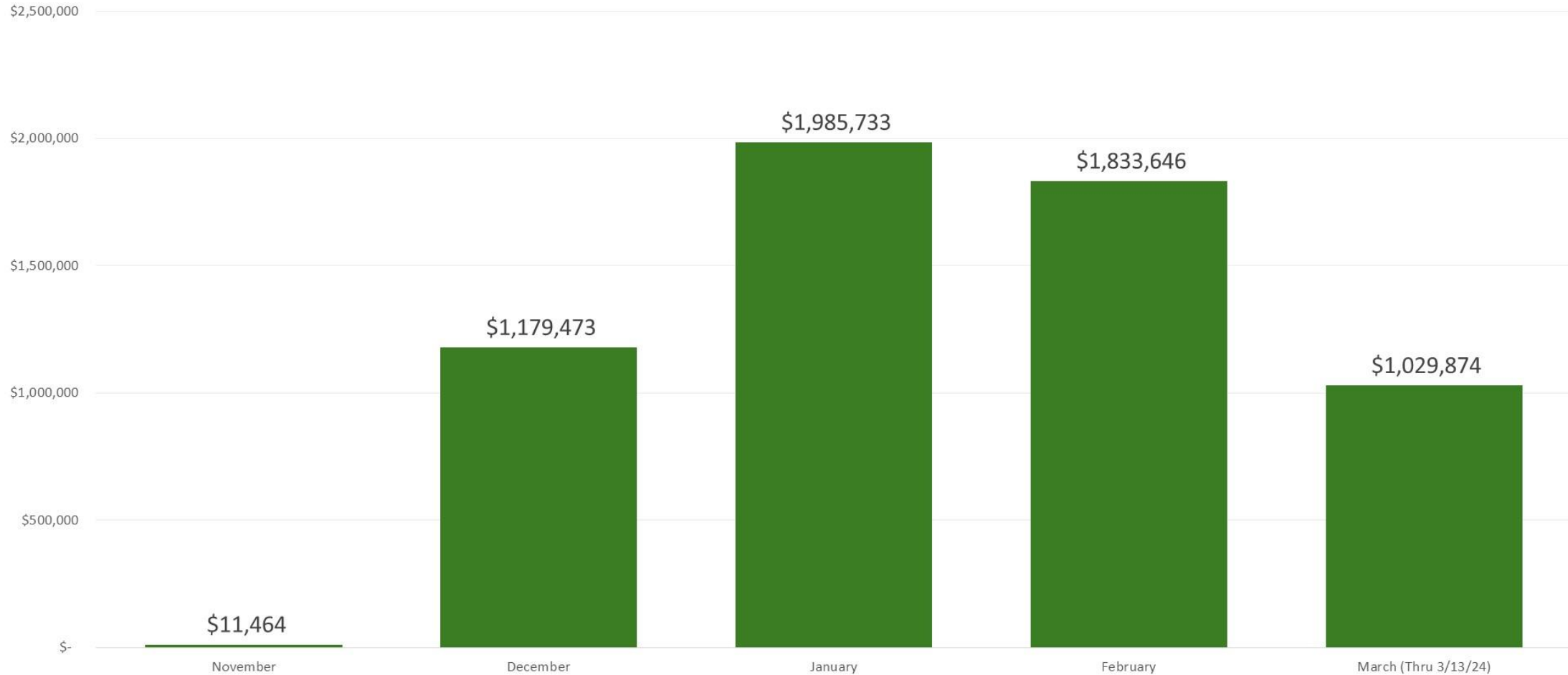
Average Transactions By Day



Weekly Trips

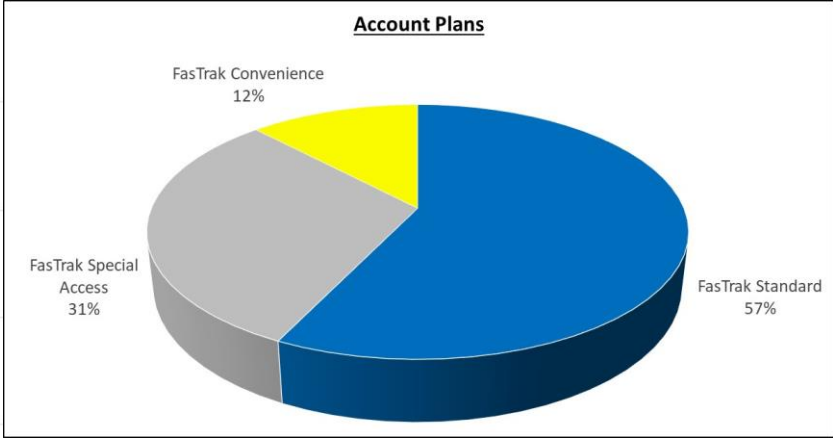
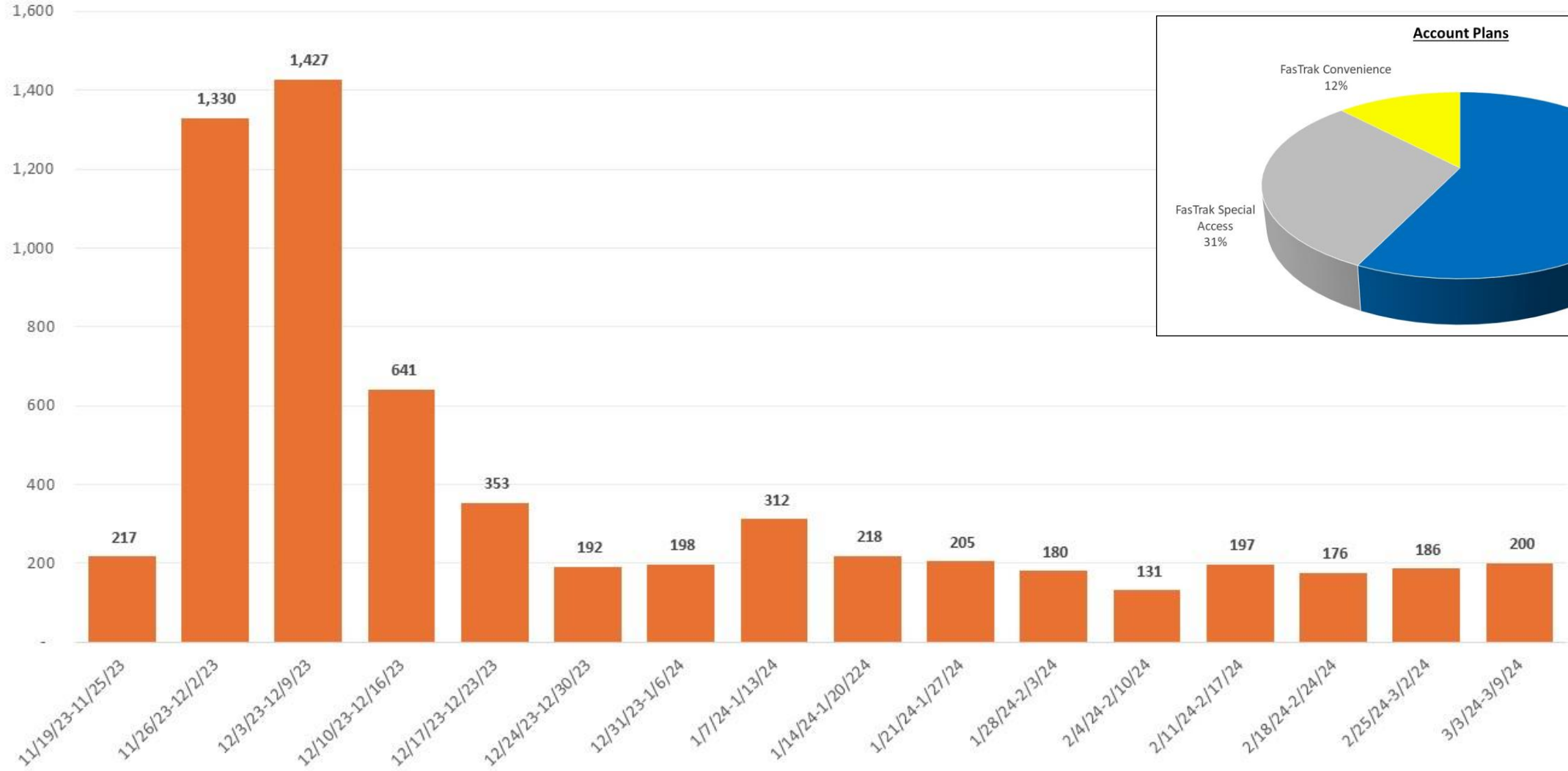


Monthly Total Revenues



Over 6,000 Accounts Opened To-Date

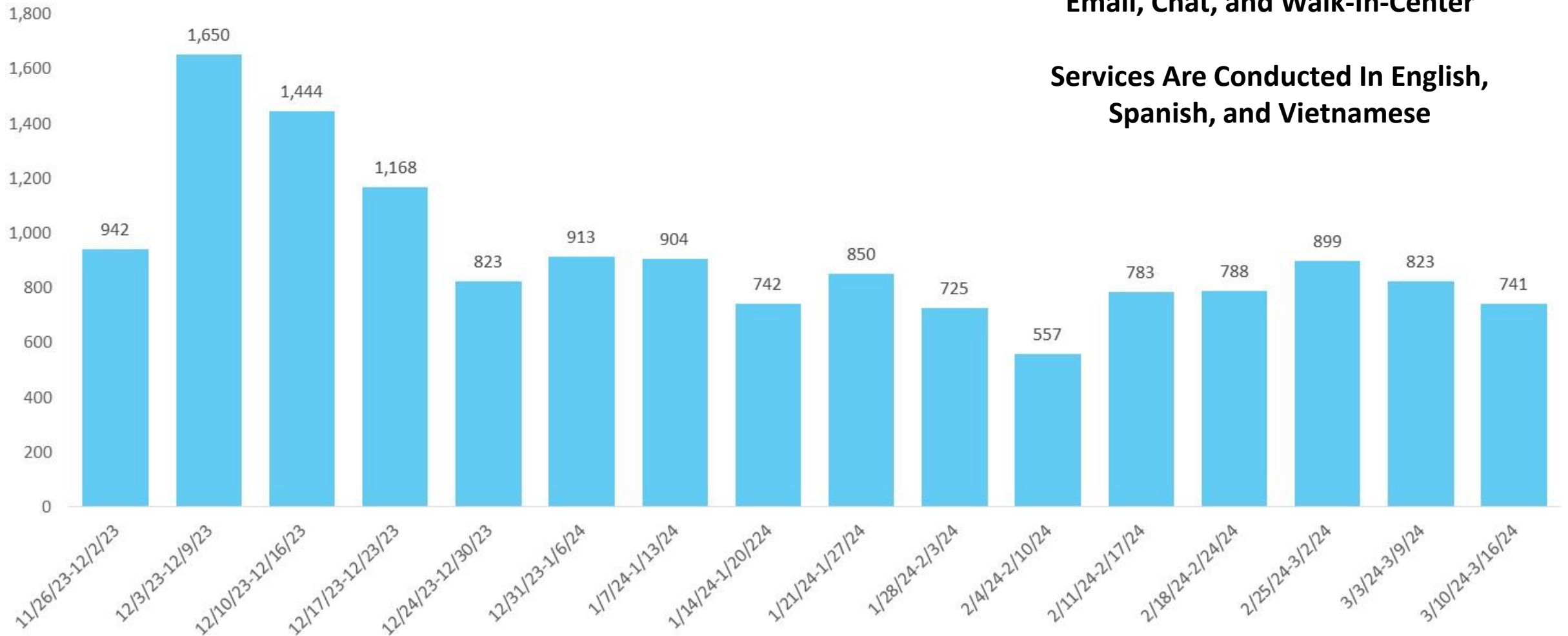
Accounts Opened By Week



Customer Service Center Activity

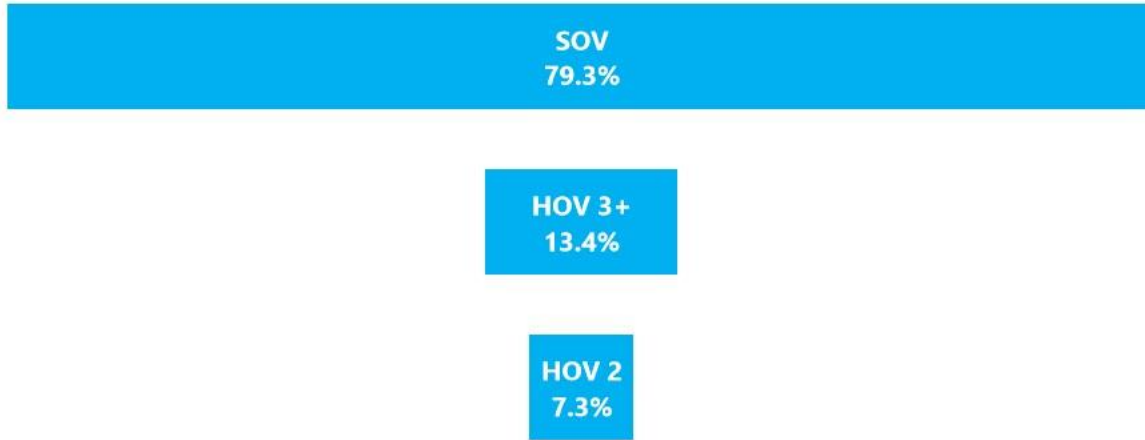
**Activity Includes: Telephone Calls,
Email, Chat, and Walk-In-Center**

**Services Are Conducted In English,
Spanish, and Vietnamese**

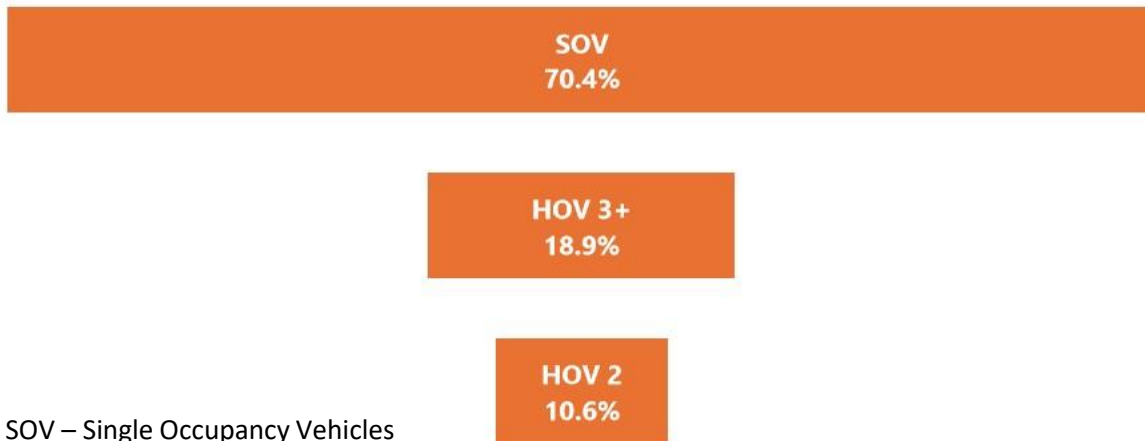


Transaction Composition

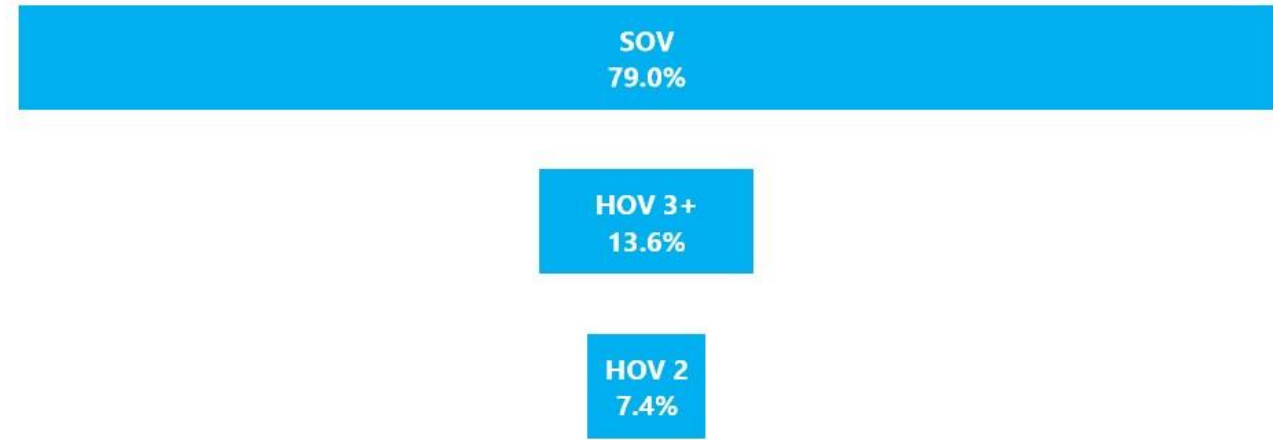
Average Weekday Travel In February 2024



Average Weekend Travel In February 2024



Average Weekday Travel In March 2024



Average Weekend Travel In March 2024



SOV – Single Occupancy Vehicles
HOV 2 – High Occupancy Vehicles with 2 Individuals
HOV 3+ – High Occupancy Vehicles with 3 or More Individuals

Next Steps

- Continue to monitor traffic conditions and make necessary adjustments to toll rate schedules to help ensure free-flow traffic
- Continue marketing efforts to enhance service awareness among potential customers and existing transponder holders
- Implement routine roadway maintenance services provided by Caltrans
- Complete Final Acceptance for the 405 Improvement Project