



May 12, 2025

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Fiscal Year 2025-26 Budget Workshop

Overview

The Orange County Transportation Authority is developing the fiscal year 2025-26 proposed budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The fiscal year 2025-26 proposed budget will be reviewed in detail during an informal workshop following the May 12, 2025, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Review the fiscal year 2025-26 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 12, 2025.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) fiscal year (FY) 2025-26 proposed budget (proposed budget) began in December 2024 with the development of revenue and expense projections as well as goals for each of OCTA's programs and services. The goals for each of the programs and services included in the proposed budget are consistent with OCTA's Strategic Plan, Comprehensive Business Plan, Next 10 Delivery Plan, and the Board of Directors (Board) and Chief Executive Officer (CEO) 2025 Initiatives.

Each of OCTA's divisions submitted their proposed budget requests in January, which were then subject to internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement, to ensure a balanced and fiscally responsible budget is delivered.

The development of the proposed budget was predicated on a set of programmatic assumptions discussed with the Finance and Administration Committee on March 26, 2025, that support the 2025 Board and CEO Initiatives. This discussion encapsulated the fundamental principles and assumptions guiding the budgeting process for key OCTA programs, including Measure M2 (M2), bus, commuter rail, local rail, motorist services, and express lanes.

Despite the uncertain economic outlook, OCTA's financial position remains stable. OCTA maintains strong reserve levels in alignment with the Board-approved Reserve Policy. The Reserve Policy is the result of thoughtful financial stewardship, and the reserve levels serve as a safeguard against unexpected economic fluctuations, ensuring that OCTA's programs and projects continue to be funded into the future.

Given the ongoing fluctuations in sales tax receipts, the proposed budget includes conservative sales tax projections for both the M2 and Local Transportation Fund sales taxes. The budget assumes no growth in either sales tax for FY 2025-26.

The proposed budget presents a balanced financial plan, detailing the sources and uses of funds. It reflects a mix of new revenues and the strategic use of previously designated funds, ensuring fiscal stability without resorting to deficit spending. Previously designated funds, also known as planned uses of prior year designations, are funds set aside (designated) in prior FYs to be utilized in the current FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,744.4 million, while proposed expenditures and designations yield a total use of funds of \$1,744.4 million. On a year-over-year comparison to the FY 2024-25 approved budget, the proposed budget is \$12.2 million less than the FY 2024-25 approved budget.

The proposed budget for the M2 Program delineates a clear roadmap for the enhancement of transportation infrastructure across the County. This includes executing the M2 Next 10 Delivery Plan as promised and ensuring that vital projects remain on course. The M2 Program supports ongoing enhancements in freeways, streets, and roads, while also funding vital transit initiatives.

Significant funding is allocated for freeway improvements, particularly on State Routes 55 and 91 and Interstate 5, reflecting the promise to deliver on the M2 Next 10 Delivery Plan. Additionally, there is continued investment in both

local and regional traffic infrastructure as well as transit programs including the Southern California Regional Rail Authority (Metrolink) and the OC Streetcar.

The proposed budget extends OCTA's commitment to funding for local jurisdictions and the County. Funding continues for the Local Fair Share Formula Program, Regional Capacity Program, and the Regional Traffic Signal Synchronization Program. This funding supports a broad spectrum of projects and sustains the momentum of infrastructure improvements throughout the County.

The proposed budget outlines a methodical plan for transit services, with a clear focus on enhancements and sustainability. For the OC Bus Program, the proposed budget supports an increase of service of four percent to 1.62 million service hours, with approximately 60 percent of these hours directly operated by OCTA and the remaining 40 percent provided by contractors. The proposed budget also supports ongoing investments in zero-emission buses and related infrastructure.

Under regional rail, the proposed budget supports the Metrolink rail optimization plan with service levels expected to align with Metrolink's current service levels. For local rail, the proposed budget includes funding for the completion of the OC Streetcar along with the commencement of pre-revenue activities and operational service set to begin in spring 2026.

The express lanes budget anticipates solid performance from the 91 Express Lanes, which continues to meet the goal of maximizing throughput through the State Route 91 corridor. The proposed budget anticipates a three million trip increase in traffic volumes, reaching 23 million trips. The 405 Express Lanes are forecasted to reach 71.5 million trips in FY 2025-26 over the five ingress/egress points in the Interstate 405 corridor, which is an increase of 3.4 million trips from the current year-end estimate.

With Board direction, staff will present the proposed budget in detail in an informal workshop setting on May 12, 2025. The presentation will include a discussion of specific program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the proposed budget at the meeting. A public hearing for the proposed budget is scheduled to occur at the June 9, 2025, Board meeting, after which staff anticipates seeking Board approval of the proposed budget.

Summary

A detailed proposed budget workshop is scheduled for May 12, 2025, during the OCTA Board meeting. This session aims to provide the Board with comprehensive information on the proposed budget. No public hearing or vote will occur at this meeting. A subsequent public hearing and the anticipated budget approval will take place during the June 9, 2025, Board meeting.

Attachment

- A. Orange County Transportation Authority Fiscal Year 2025-26 Budget Workshop Presentation

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