



**January 22, 2025**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2024-25 First Quarter Budget Status Report

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the memo.

**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 first quarter of fiscal year 2024-25.

**Recommendation**

Approve a budget amendment to the fiscal year 2024-25 405 Express Lanes Budget, reducing it from \$57,230,430 to \$42,603,879.

**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 first 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**

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

HQ - Headquarters

\*in thousands

**Discussion**

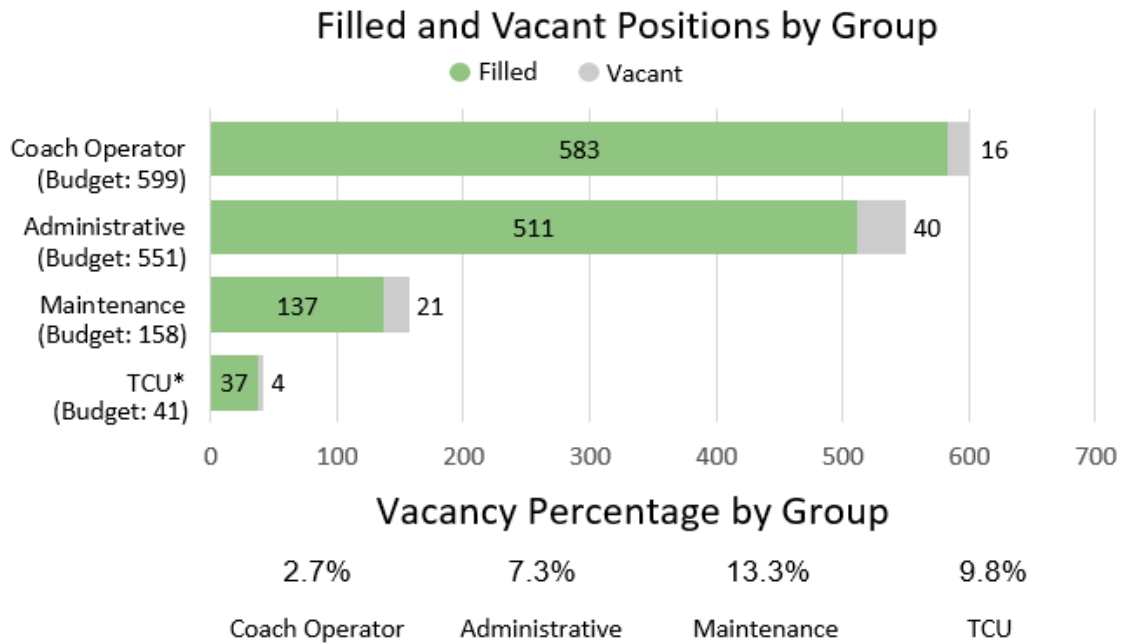
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist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

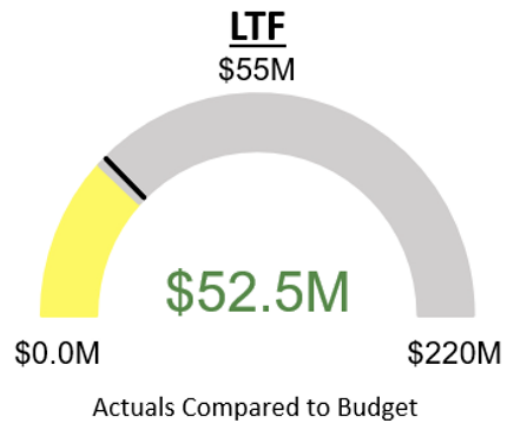
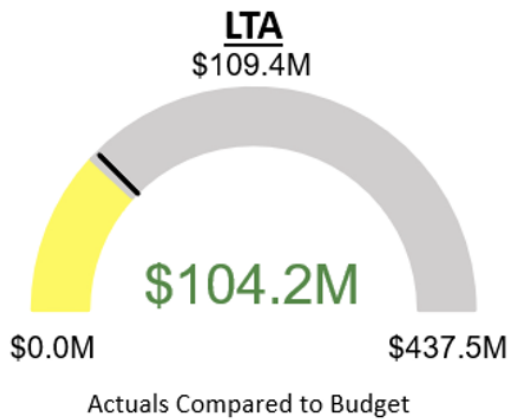
Total salaries and benefits were \$2.9 million under the budget of \$54 million. This is primarily due to staffing vacancies agency wide.



\*TCU - Transportation Communications International Union

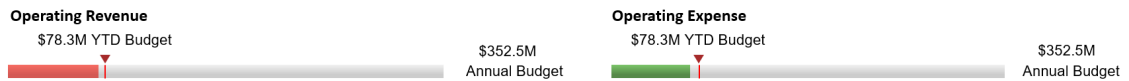
### Sales Tax Receipts

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 first quarter. LTA sales tax receipts of \$104.2 million were \$5.2 million lower than the budget and LTF sales tax receipts of \$52.5 million were \$2.5 million lower than the budget.

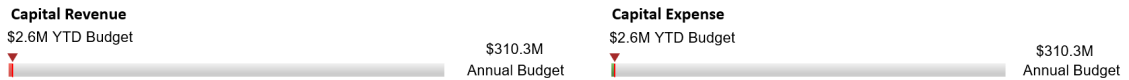


Major Programs

Bus Program

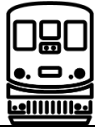


Bus Program operating revenue of \$73.3 million was \$5 million below budget. This was primarily due to lower than anticipated sales tax and less than anticipated revenue reimbursements based on lower operating expenses throughout the first quarter. Bus Program operating expenses of \$70.5 million were \$7.8 million under the budget. This underrun 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 \$2.1 million were \$0.5 million lower than budget. This is due to capital revenues that are reimbursed based on capital expenses which came in lower than anticipated. This was primarily due to the expenditures related to the Rider Validation System, which remains in negotiation resulting in an underrun of \$0.3 million. Additionally, building improvements such as the heating, ventilation, and air conditioning unit replacement and high-lift dolly were deferred to the second half of the FY contributing \$0.2 million to the underrun.

Regional Rail Program



**Operating Revenue**



**Operating Expense**



Rail Program operating revenue of \$2.9 million was \$1.6 million higher than the budget. This was due to higher than anticipated interest earnings. Rail operating expenses came in \$0.8 million lower than budgeted. This was primarily due to lower than anticipated professional services through the first quarter, as well as the timing of transit security services invoices, expenses are anticipated to align to the budget by the end of the FY.

**Capital Revenue**

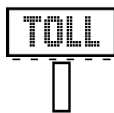


**Capital Expense**



Rail Program capital revenue and expenses of \$0.4 million were aligned with the budget through the first quarter.

91 Express Lanes Program



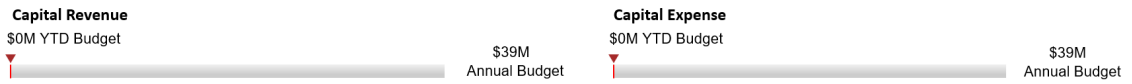
**Operating Revenue**



**Operating Expense**

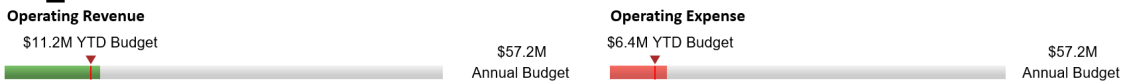


The 91 Express Lanes Program operating revenue of \$21.4 million exceeded the budget by \$5 million, primarily due to higher trip volumes than anticipated during budget development. Operating expenses of \$3.7 million were \$1.6 million lower than the budget of \$5.3 million, primarily due to lower usage of as-needed contracted and professional services.



The 91 Express Lanes Program capital revenue and expenses were in line with the budget. This was due to no capital projects being budgeted in the first quarter.

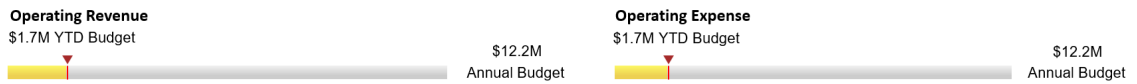
405 Express Lanes Program



The 405 Express Lanes Program operating revenue of \$12.4 million overran the budget by \$1.2 million, primarily due to higher than anticipated non-toll revenue than budgeted. Non-toll revenues include violations, account fees, and interest. Similarly, operating expenses of \$8.2 million were \$1.7 million higher than the budget of \$6.4 million, primarily due to invoice timing differences for work being done on the back-office system. It is anticipated that expenditures will align with the budget this FY.

Staff relied on the revenue estimates provided by Stantec Inc. in the original Traffic and Revenue Study (T&R) completed in 2015 when developing budget projections for toll revenue. Subsequent to the completion of the T&R, the project opening timeline shifted by approximately one year. However, when developing the FY 2024-25 budget, staff did not account for this shift and inadvertently budgeted toll revenue amounts projected for FY 2025-26 instead of FY 2024-25. In addition to reporting budget to actuals to the Board on a quarterly basis, OCTA is also required to report 405 Express Lanes budget and actuals to the Build America Bureau (Bureau) as a condition of the Transportation Infrastructure Finance and Innovation Act loan received for the project. To ensure alignment with the revised schedule and original projections, staff is recommending a budget amendment to ensure accurate reporting both to the Board and the Bureau. Specifically, staff is recommending the Board amend the FY 2024-25 405 Express Lanes Budget, reducing it from \$57,230,430 to \$42,603,879.

Motorist Services Program

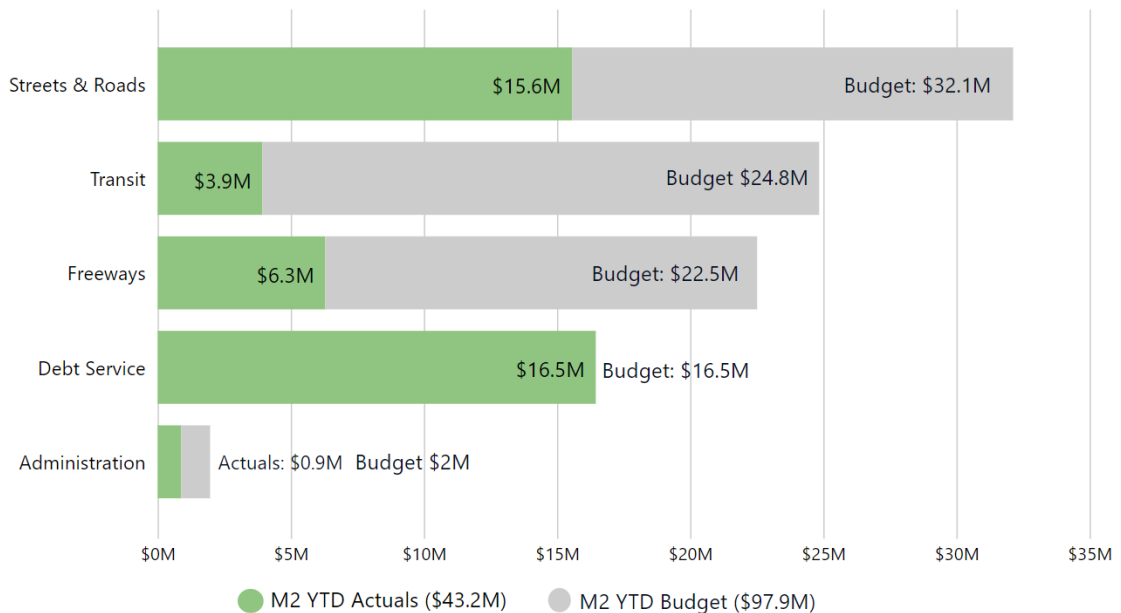


Motorist Services Program operating revenue and expenses of \$1.7 million underran by \$35,000 and were within two percent of budget. The underruns were due to the Remote Messaging System Expansion Project, which was rescheduled to next FY.

M2 Program



M2 Program Budget and Actuals by Mode



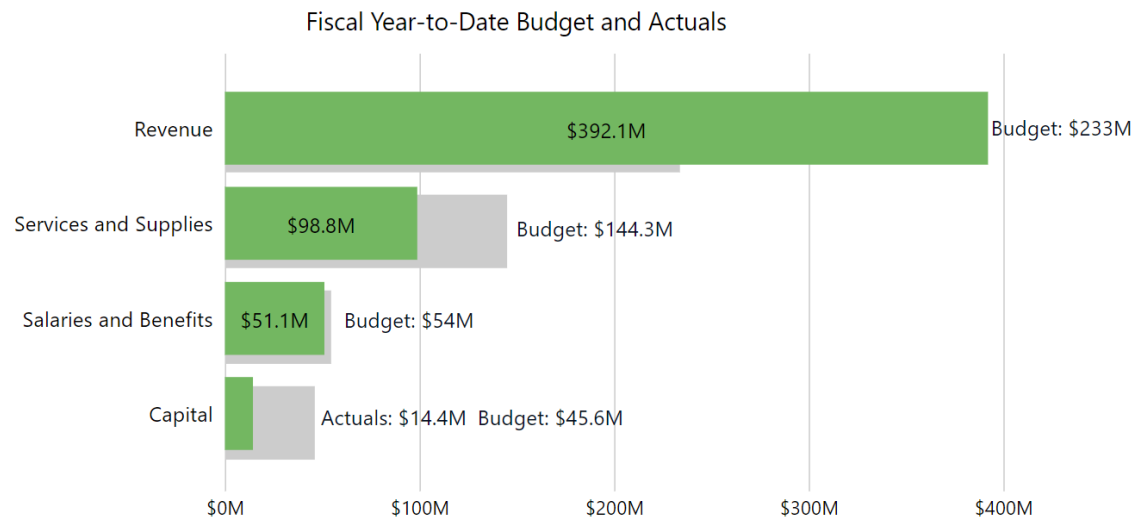
Total actual expenses of \$43.2 million for the M2 Program were \$54.7 million lower than the budget, primarily related to OC Streetcar construction expenses (\$19.3 million). Also contributing to the variance are lower than anticipated expenses for the Regional Traffic Signal Synchronization (\$7.9 million), and Local Fair Share programs (\$7.8 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 (\$8.9 million), State Route 91 (SR-91) freeway improvements (\$1.9 million), and Interstate 405 (I-405) freeway project (\$1.6 million) contributed to the underrun.

Fiscal Impact

Approve a budget amendment to the FY 2024-25 405 Express Lanes Budget, reducing it from \$57,230,430 to \$42,603,879, to ensure alignment with the revised schedule and original projections.

Summary



Overall, revenue of \$392.1 million was \$159.1 million over budget. This was due to reimbursement of Transit and Intercity Rail Capital Program funding related to construction expenses incurred in prior years for the OC Streetcar Project.

Operating expenses of \$98.8 million were \$45.5 million under budget, primarily due to the timing of expenses for freeway services, contributions to the 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.

Capital expenses of \$14.4 million were \$31.2 million under budget, primarily due to the timing of construction and ROW expenses for the I-5 to El Toro Road freeway project, SR-91 freeway improvements, and I-405 freeway project.

Salaries and benefits of \$54 million underran the budget by \$2.9 million. This was primarily due to staffing vacancies in the coach operator and administrative groups.



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**Attachment**

A. FY 2024-25 First Quarter Budget Status Summary

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