



***April 8, 2020***

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Fiscal Year 2019-20 Second Quarter Budget Status Report

***Overview***

The Orange County Transportation Authority's staff has implemented the fiscal year 2019-20 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2019-20.

***Recommendation***

Receive and file as an information item.

***Background***

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2019-20 Budget on June 10, 2019. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.525 billion. Sources of funds were comprised of \$1.16 billion in current FY revenues and \$365.4 million in use of prior year designations. Uses of funds were comprised of \$1.44 billion of current FY expenditures and \$82.7 million of designations.

The Board approved one amendment through the second quarter, increasing the expense budget by \$4.5 million. This increased the budget to \$1.53 billion as summarized on Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2019	Adopted Budget	\$ 1,525,194
7/22/2019	Contracted Fixed-Route Service Agreement	4,521
<b>Total Working Budget</b>		<b>\$ 1,529,715</b>

\*in thousands

### Discussion

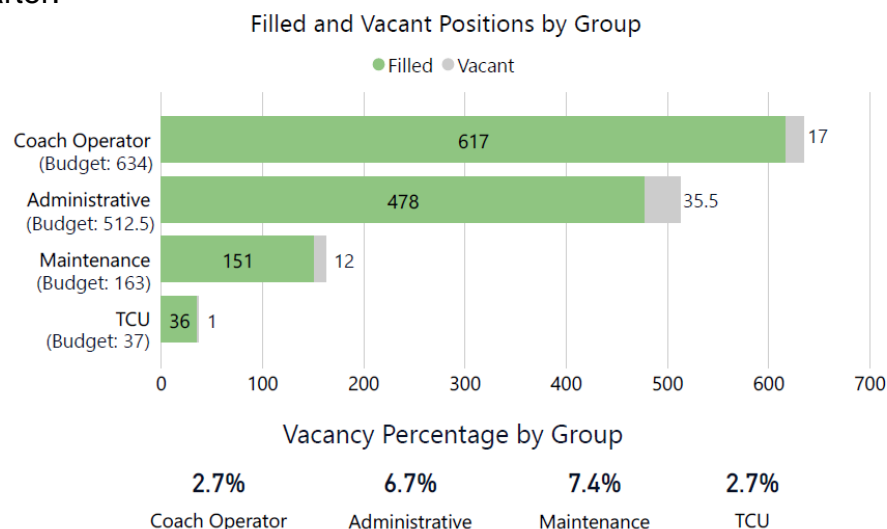
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi 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

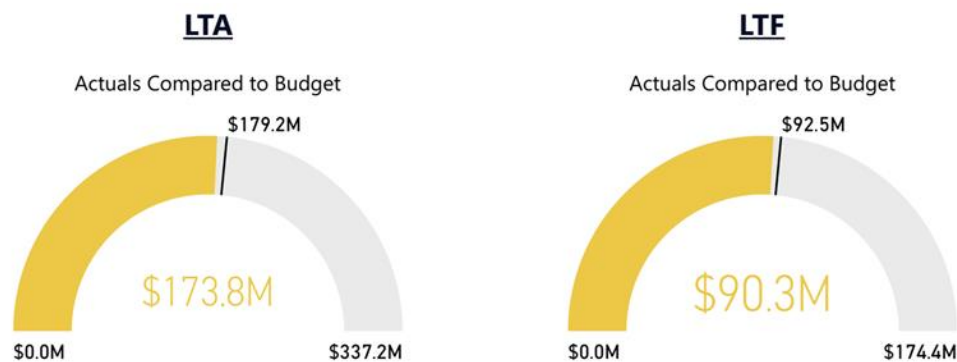
### Staffing

Total salaries and benefits underran the budget by \$2.7 million. This is primarily due to vacancies OCTA-wide, with the largest vacancy percentages in the maintenance (7.4 percent) and administrative (6.7 percent) groups at the end of the quarter.



## Sales Tax Receipts

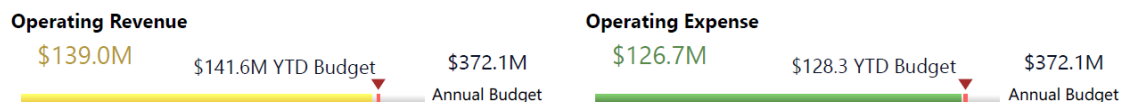
The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of \$173.8 million were \$5.4 million lower than the budget. LTF sales tax receipts of \$90.3 million were \$2.2 million lower than the budget. It is anticipated that California Department of Tax and Fee Administration catches up on sales tax receipts for the second quarter, that the underrun will decrease, and actuals will approach the budget.



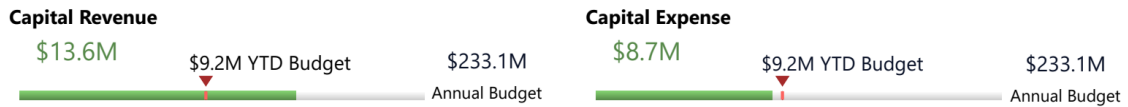
## Major Programs



### Bus Program



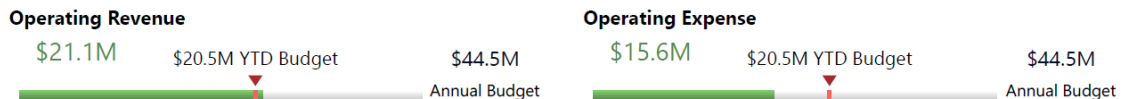
Bus Program operating revenue of \$139 million underran the budget by \$2.6 million, primarily due to lower than anticipated LTF sales tax revenue. Bus Program operating expenses of \$126.7 million underran the budget by \$1.6 million, primarily due to fuel costs. Compressed natural gas fuel underran due to a lower unit cost than anticipated, and hydrogen fuel and gasoline underran due to lower miles driven than anticipated. Hydrogen fuel is used in ten buses, which were all anticipated to be in service beginning in July 2019; however, three of the buses did not begin service until October 2019, due to the hydrogen fueling station not being fully operational until late in the first quarter. Gasoline is used for ACCESS, the on-demand paratransit service, and less miles were driven than forecasted.



Bus Program capital revenue of \$13.6 million overran the budget by \$4.4 million, primarily due to prior FY state grant revenue received in the current FY for the purchase of ten hydrogen fuel cell electric buses and hydrogen fueling infrastructure. California Air Resources Board grant revenue associated with the bus purchase was budgeted in a prior FY, but received in the current FY based on corresponding expenditures. Capital expenses of \$8.7 million underran the budget by \$0.5 million, primarily due to a longer than anticipated procurement. The purchase of a portable hoist and wheel alignment machine for the Santa Ana maintenance base was originally scheduled to take place in the second quarter, but will now occur in the second half of the FY (\$0.3 million). Projects to improve customer amenities at OCTA bus stops and to revitalize bus platforms and canopies at the Fullerton Transportation Center are underway. However, outstanding invoices are impacting the underrun. Once invoices are received, expenses are anticipated to align with budgeted amounts by the end of the FY.



### Rail Program



Rail Program operating revenue of \$21.1 million overran the budget by \$0.6 million, primarily due to higher than anticipated earnings on investments. Operating expenses of \$15.6 million underran by \$4.8 million, primarily due to the quarterly operating subsidy payment to Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operations. This underrun is due to an operating surplus and a credit for preventative maintenance funds drawn down directly by SCRRA. Therefore, the subsidy provided by OCTA was less than anticipated. As a result, this underrun is expected to remain for the rest of the FY.



Rail Program capital revenue of \$8.4 million overran the budget by \$7.2 million primarily due to the timing of grant funds and city contributions for

construction of the Orange Transportation Center Parking Structure project. These funds were budgeted in prior FYs corresponding to expenses but received in the current FY. Capital expenses of \$1 million overran the budget by \$0.5 million due to the timing of construction phase expenses for the Laguna Niguel to San Juan Capistrano passing siding project. At the time of budget development, staff estimated expenses to take place in the second half of the FY. However, due to schedule adjustments, invoices were received and paid in the first half of the FY. This overrun will be resolved by the end of the FY when the budget aligns with actuals.



### 91 Express Lanes Program

#### Operating Revenue



#### Operating Expense



The 91 Express Lanes Program operating revenue of \$22.1 million overran by \$0.8 million, primarily due to fees collected for toll violations and account minimums. Revenue from these fees are variable in nature and therefore difficult to forecast. Operating expenses of \$7.7 million underran by \$3.5 million, primarily due to as-needed expenses associated with toll road account servicing, legal services, and equipment repair/maintenance. The toll road operating contract contributed \$0.7 million to the underrun due to a reduction in services under the contract. The vendor will not be managing the electronic toll and traffic management system as originally anticipated, as that service will now be part of a separate contract.

#### Capital Revenue



#### Capital Expense



Capital revenue for the 91 Express Lanes of \$9.6 million was received in line with the budget. Capital expenses of \$0.1 million underran by \$9.5 million, due to contract execution timing for the Back-Office System and Customer Service Center project. A contract anticipated to be executed by the second quarter will instead be executed in the third quarter.



### Motorist Services Program

#### Operating Revenue

**\$8.1M**

\$3.4M YTD Budget

\$9.2M

Annual Budget

#### Operating Expense

**\$3.0M**

\$3.4M YTD Budget

\$9.2M

Annual Budget

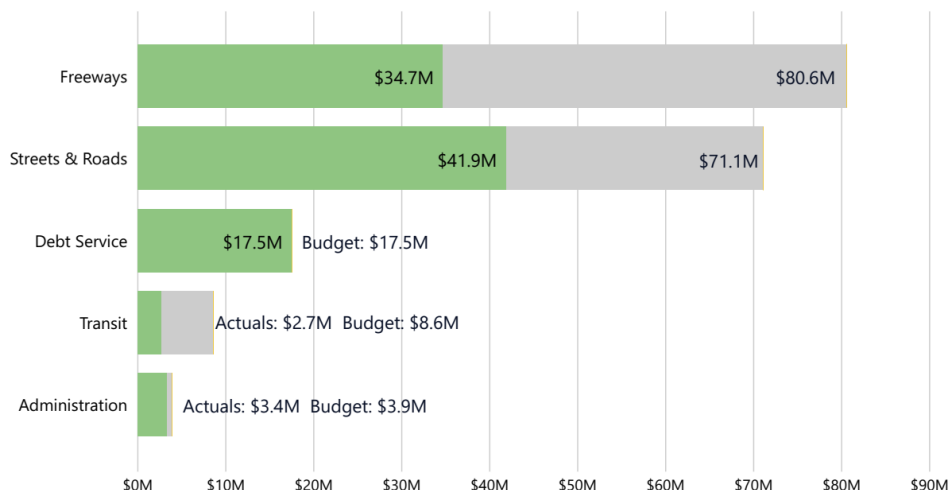
Motorist Services Program revenue of \$8.1 million overran the budget by \$4.7 million, primarily due to state contribution funds for Freeway Service Patrol (FSP). The funds for operating the service were budgeted in a prior FY, but received in the current FY. Expenses for the program of \$3.1 million underran the budget by \$0.3 million, due to lower fuel cost for contracted tow service for the FSP Program. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated.



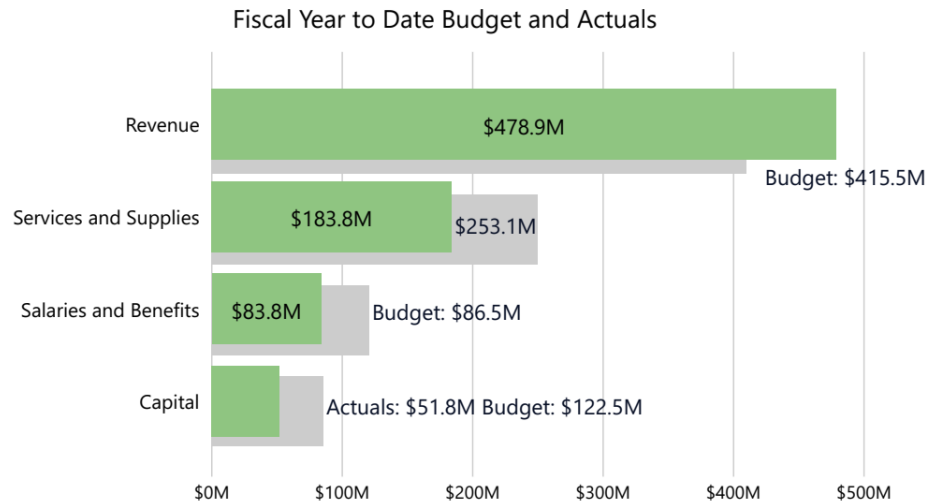
### Measure M2 Program

Total expenses for the M2 Program of \$100.1 million underran the budget by \$81.5 million, primarily due to lower than anticipated project payment requests from the cities for the Regional Capacity Program, Regional Traffic Signal Synchronization Program, and Environmental Cleanup Program. Also contributing to the underrun is lower utilization of right-of-way capital and support expenses for the Interstate 5 South County Improvement project and the Interstate 405 Improvement Project.

Budget and Actuals by Mode



## Summary



Overall, revenue of \$478.9 million overran the budget by \$63.3 million, primarily due to grant revenue budgeted in a prior FY, but received in the current FY for the purchase of hydrogen fuel cell electric buses, construction of the Orange Transportation Center Parking Structure project, and construction of the Raymond Avenue and State College Boulevard grade separation projects in the City of Fullerton. The overrun was partially offset with underruns of LTA sales tax receipts (\$5.4 million) and LTF sales tax receipts (\$2.2 million). Services and supplies expenses of \$183.8 million underran the budget by \$69.3 million, primarily due to an underrun in the Metrolink operating subsidy and contributions to local agencies based on lower than anticipated project payment requests for Regional Capacity Program, Regional Traffic Signal Synchronization Program, Environmental Cleanup Program, and Community-Based Transit/Circulator Program. Capital expenses of \$51.8 million underran the budget by \$70.7 million, primarily due to construction and construction support services for the Interstate 5 South County Improvement project, the Interstate 405 Improvement Project, and the 91 Express Lanes Back Office System and Customer Service Center project. Salaries and benefits of \$83.8 million underran the budget by \$2.7 million, due to vacancies.

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***Attachment***

A. FY 2019-20 Second Quarter Budget Status Summary

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A handwritten signature in black ink, appearing to read 'A. Baruch', written in a cursive style.

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