Orange County Transportation Authority
Fiscal Year 2019-20 Budget Workshop Questions & Answers

1. **Question: What are the specifics of the continuation of the OC Flex Program?**

   Answer: The OC Flex Pilot Program will hit the one-year mark at the end of October 2019. After the one-year period is complete, staff will return to the Board of Directors (Board) with recommendations. Recommendations could include to simply continue the existing service, make minor tweaks to the existing service, modify the zone boundaries, consider new zones, or cancel the pilot program.

2. **Question: How would we go about determining potential expansion of the OC Flex Program in the future?**

   Answer: The OC Flex Pilot Program completion will help determine if the program was a success and should be expanded to other areas of Orange County. If the answer is yes, then staff will work with the Board to review the original goals of the program and determine if the goals should be revisited on a go-forward basis. Once that is determined, staff can revisit the original seven different locations that were identified as part of the OC Flex analysis. Additionally, new zones could be considered at that time, contingent on available revenues.

3. **Question: When we utilize use of prior year designations, is it correct that we are not pulling money from reserves, but using money that was set aside in previous fiscal years for that specific purpose?**

   Answer: Yes, it is correct to say that OCTA utilizes prior year designations for specific capital items and does not rely on reserves to pay for ongoing operations. OCTA utilizes the concepts of designations and use of prior year designations to fund many of its capital purchases. For example, OCTA sets aside dollars for future bus purchases using designations each year. When it comes time to make the purchase, OCTA utilizes a drawdown of those designations from prior fiscal years to fund the specific bus purchase. This drawdown is termed use of prior year designations.

4a. **Question: Regarding OCTA healthcare costs, what kinds of trends have we seen over the last five years?**

Description	2013-14 Actuals	2014-15 Actuals	2014-15 Increase / Decrease	2015-16 Actuals	2015-16 Increase / Decrease	2016-17 Actuals	2016-17 Increase / Decrease	2017-18 Actuals	2017-18 Increase / Decrease	2018-19 Act Y/E Estimate	2018-19 Increase / Decrease	2019-20 Proposed Budget
Health Care Plans	18,159,506	19,161,064	5.5%	19,559,596	2.1%	18,883,053	-3.5%	19,282,231	2.1%	19,532,195	1.3%	22,898,794

A total of $20,901,092 is budgeted for healthcare costs in FY 2018-19

4b. Question: The market trend related to healthcare costs seems to indicate that costs continue to be increasing in general. Why does the 1.3 percent growth rate for FY 2018-19 year-end estimate over FY 2017-18 seem low?

Answer: The costs shown on the table above are actual expenses. Actual expenses are impacted by vacancies and the type of healthcare plan that is elected by each employee. If there were no vacancies, then the growth in actuals expenses would have more of a correlation with general market healthcare increases.

5. Question: Can you clarify the number of new hires and reductions that are being proposed for fiscal year 2019-20

Answer: OCTA is proposing five and a half administrative new hires, two maintenance new hires, and one Los Angeles – San Diego – San Luis Obispo Rail Corridor (LOSSAN) new hire, for a total of eight and a half new hires in FY 2019-20. A total of 15 reductions are proposed for the fiscal year, ten in the maintenance group and five coach operators.

6. Question: What is the number of employees proposed for FY 2019-20?

Answer: OCTA is proposing 1,346.5 full-time equivalents (FTE) for FY 2019-20.

7. Question: Does OCTA have a maximum accrual policy for vacation hours accumulated for administrative employees?

Answer: The Proposed Personnel and Salary Resolution documents the maximum vacation leave hours an administrative employee can accrue based on years of service. OCTA employee's will not accrue vacation leave in excess of the maximum amount unless authorized by the Chief Executive Officer.

At the Beginning of Year:	The Employee Shall Earn:	To a Maximum Per Year of:	Maximum Accrued Vacation Leave
0 through year 2	.0577 hours	120 hours	240 hours
3 through year 4	.0577 hours	120 hours	300 hours
5 through year 9	.0770 hours	160 hours	300 hours
10 through year 14	.0962 hours	200 hours	390 hours
15 through year 18	.1039 hours	216 hours	390 hours
19 or more	.1154 hours	240 hours	440 hours

8. **Question: How does the new bus lifespan plan apply to the planned procurement of buses?**

   Answer: The upcoming purchase of 299 40-foot buses is expected to be executed in FY 2019-20. Delivery of buses will then begin 24 to 30 months after contract execution at a rate of two per week. At that point in time, the existing buses will reach a useful life span of 14, 15, 16, 17, and 18 years. This procurement strategy will allow OCTA to obtain some data to determine if the older buses can meet operational needs and whether it truly is a financial benefit as modeled in our CBP.

9. **Question: Are we trying to get ahead of the new state emissions rules by replacing buses before their 18-year useful life?**

   Answer: No. The primary reason for buying the buses now is to take advantage of approximately $130 million of federal air quality funds that will expire if OCTA does not procure these buses now. Although OCTA has extended the useful life to 18 years, we have limited experience with this new policy. The recommended strategy allows OCTA to take advantage of the federal funding opportunity while phasing the replacement buses such that OCTA gains more operational experience with buses that are 15, 16, 17 and 18 years old.

10. **Question: Will that new lifespan apply to the next-oldest generation of buses but not this set?**

    Answer: Yes.

11. **Question: Do we budget for revenue from the sale of our older buses?**

    Answer: No. The amount is usually very minimal. At OCTA's last auction, six 40-foot buses that had reached their useful life were sold for $2,500 per bus.

12. **Question: What are the pension effects of the proposed pay and vacation time increases for administrative staff?**

    Answer: During FY 2019-20, it is assumed the proposed merit pool of 4 percent will increase administrative salaries by approximately $2 million. When applying the OCERS employer rate of 27.84 percent to the increase in administrative salaries the annual pension obligation increases by $582 thousand. The vacation accrual increase is not anticipated to have a material impact on pensions during FY 2019-20.

13. **Question: What is the turnover rate for administrative employees?**

    Answer: The fiscal year-to-date attrition rate for administrative employees is 6.1 percent or a total of 31 employees.

14. Question: What is the average age that administrative employees retire?

Answer: The average age of retirement for administrative employees is 63.24.

15. Question: What is the percentage of administrative employees that are eligible for retirement?

Answer: The average percentage of administrative employees that are eligible for retirement is 28.3 percent or 137 employees (age 55 with 10 years of service).

16. Question: What percent of healthcare costs are covered by OCTA versus the employee?

Answer: The percent of healthcare cost paid by OCTA versus administrative, Transportation Communications Union (TCU), and coach operator employees vary based on an employee's tenure, elected plan, and number of dependents. The table below shows the percent an employee pays based on their tenure, elected plan, and number of dependents.

Plan	Family size	ADMINISTRATIVE AND TCU Less than 10 Years	ADMINISTRATIVE AND TCU More than 10 Years	COACH OPERATORS
Kaiser HMO	Employee Only	10.0%	0.0%	5.0%
	Two-Party	15.0%	5.0%	7.0%
	Family	15.0%	5.0%	10.0%
Anthem HMO	Employee Only	10.0%	0.0%	5.0%
	Two-Party	15.0%	5.0%	7.0%
	Family	15.0%	5.0%	10.0%
Anthem CDHP	Employee Only	10.0%	5.0%	5.0%
	Two-Party	15.0%	7.5%	7.0%
	Family	15.0%	7.5%	10.0%
Anthem PPO	Employee Only	15.0%	7.5%	5.0%
	Two-Party	20.0%	10.0%	7.0%
	Family	20.0%	10.0%	10.0%

OCTA does not administer the medical, dental and vision benefits for Teamsters Maintenance employees and therefore Teamsters decides on plan design. However, OCTA currently contributes $1,267 per month (80%) per employee. Maintenance employees contribute $314 per month (20%).

17. Question: Have there been any changes to the FY 2019-20 proposed budget since it was last presented to the Board of Directors at the Budget Workshop?

Answer: No.

18. Question: Which group of employees will be included in the proposed vacation market adjustment?

Answer: The proposed vacation market adjustment is for the 498.5 OCTA administrative employees and 14 LOSSAN employees. The 834 Union employees are governed by separate bargaining agreements.

19. Question: When employees cash out their vacation, does that add to their base salary for retirement benefits?

Answer: The amount of accrued vacation time an employee can cash out in a given year is limited to their annual vacation accrual limit as governed by the Personnel and Salary Resolution. For employees hired prior to 1/1/2015, cashed out vacation does add to an employee's base pay for retirement benefits. For employees hired on or after 1/1/2015, cashed out vacation does not add to an employee's base pay for retirement benefits.

20. Question: Was there a market study used by OCTA to derive the proposed four percent merit pool and four percent special award performance pool?

Answer: OCTA subscribes to Payscale, which is an organization that provides software that has real-time information on job market compensation, both public and private. For the proposed merit pool (4%) and salary structure adjustment (2%), Payscale was a source of information that was used, as well as Society for Human Resource Management (SHRM), WorldatWork, Mercer's Compensation Planning Survey, Willis Towers Watson, and Economics Research Institute. Other considerations include the CPI for Los Angeles-Riverside-Orange County, which increased by 3.61% over last year, as well as the local unemployment rate and competitive job market.

Sources show that merit-based pay increases for high performers ranged from 4.1% (WorldatWork) to 4.7% (Willis Towers Watson). The average budget for salary increases was 3.2% (WorldatWork and SHRM).

Research also showed that most organizations award at least some base salary increase, such as a general increase and cost of living increase to all employees that is not part of the merit budget. OCTA does not. Administrative employees are not subject to a collective bargaining agreement and they have no step increases nor automatic progression through the salary grades. Administrative employees' salaries are reviewed once a year where a merit increase is considered based on the budget amount approved by the Board and the performance of the employee.

The merit pools of OCTA's peer agencies that are available at this time, range from 2.5% to 5%.

The special performance awards are part of OCTA's rewards and recognition program and there is no data available from the sources identified above, as bonus structures vary across organizations. As a reminder, special performance awards are to recognize employees for exceptional achievement with a non-base building (no adjustment to salary rate), lump sum award. The total amount for any individual employee must not exceed 6% (cumulative) of their base salary.

21. Question: What is the difference between the Merit and Special award pools?

Answer: The merit pool is an annual pay for performance increase which adds to an employee's base salary. The special award pool does not increase an employee's base salary. It is a one-time, non-base building bonus pool to reward employees who go above and beyond their normal duties for a specific goal area.

22. Question: Will the increase of two percent to the salary ranges create a financial impact?

Answer: Currently, there are six OCTA employees that fall below the proposed minimum grade range, which would require an annual salary increase totaling $7,654.

23. Question: What is OCTA's policy regarding identification of sole source eligible contracts?

Answer: Sole source procurements may be used only when:

- a) The item is available only from a single source.
- b) The public exigency or emergency for the requirement exists which will not permit a delay resulting from competitive solicitation.
    - (1) Failure to submit requirements in a timely manner to meet project deadlines is not an emergency situation.
- c) After solicitation of a number of sources, competition is determined inadequate.
- d) The item is an associated capital maintenance item as defined in 49 United States Code and 5307(a)(1) that is procured directly from the original manufacturer or supplier of the item to be replaced.
    - (1) The staff must first certify in writing (i) that such manufacturer or supplier is the only source for such item; and (ii) that the price of such item is no higher than the price paid for such item by like customers.
- e) When Federal Transit Administration (FTA) awards a grant agreement or enters into a cooperative agreement with a team, consortium, joint venture or partnership, or provides FTA assistance for a research project in which FTA has approved the participation of a particular firm or combination of firms in the project work, the grant agreement or cooperative agreement constitutes approval of those arrangements.