



**December 12, 2018**

**To:** Finance and Administration Committee

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

**Subject:** Fiscal Year 2018-19 First Quarter Budget Status Report

### **Overview**

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2018-19.

### **Recommendation**

Receive and file as an information item.

### **Background**

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2018-19 Budget on June 11, 2018. 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 \$1.31 billion. Sources of funds were comprised of \$1.07 billion in current FY revenues and \$237.8 million in use of prior year designations. Uses of funds were comprised of \$1.23 billion of current FY expenditures and \$80.3 million of designations.

The Board approved two amendments in the first quarter, increasing the expense budget by \$132.5 million. These amendments brought the total working budget to \$1.44 billion as summarized in Table 1 on the following page.

**Table 1 - Working Budget**

<b>Date</b>	<b>Description</b>	<b>Amount*</b>
7/1/2018	Adopted Budget	\$ 1,305,861
8/13/2018	Purchase of eight streetcar vehicles and spare parts	51,528
9/24/2018	Construction of the OC Streetcar project	81,000
	<i>Subtotal Amendments</i>	<i>132,528</i>
	<b>Total Working Budget</b>	<b>\$ 1,438,389</b>

\*in thousands

**Discussion**

Staff monitors and analyzes revenues and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) 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 in Attachment A are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the first quarter budget by \$2.3 million. This is due to vacancies OCTA-wide. As a result, an underrun can be expected to continue, but can change slightly throughout the year based on future net vacancies.

Bus Program operating revenue underran the budget by \$0.2 million, primarily due to sales tax revenue growth coming in lower than projected. Bus Program operating expenses underran the budget by \$2.3 million due to staffing vacancies, contracted fixed-route service, and as-needed services which include bus pass printing, oil filters, and shop supplies. Capital revenue and expense actuals were in alignment with the budget for the first quarter.

Rail Program operating revenue actuals were in alignment with the budget. However, operating expenses underran by \$13.2 million due to contract execution timing with Southern California Regional Rail Authority for OCTA's annual portion of the Metrolink operating subsidy. The contract was executed and first quarter invoices paid after the close of the quarter. Capital revenue for the Rail Program overran by \$5.3 million due to receipt of grant funds which were budgeted in a prior FY for construction of the Orange Transportation Center parking structure project. Capital expenses overran the budget by less than \$0.1 million for the first quarter due to earlier than anticipated contract contingency expenses for construction of the Orange Transportation Center parking structure project.

The 91 Express Lanes operating revenue was aligned with the budget for the first quarter, coming within 1.2 percent of the budgeted amount. Operating expenses underran by \$0.5 million due to expenses for as-needed services on

the toll road operating contract and project management consultant services for the back-office system procurement project being less than anticipated. Capital revenue and expenses each underran the budget by \$0.2 million associated with as-needed contract contingency expense for the electronic toll and traffic management system implementation project.

Revenue and expenses for the Motorist Services Program were in alignment with the budget for the first quarter, each being within two percent of the budgeted amount.

Expenses for the M2 Program underran the budget by \$28 million, primarily due to lower than anticipated project payment requests from the local jurisdictions for Regional Capacity and Regional Traffic Signal Synchronization programs. Another cause of the underrun in M2 expenses is right-of-way acquisition and support services for the Interstate 405 (I-405) Improvement Project being less than anticipated for the first quarter.

Advances for both Local Transportation Authority (LTA) M2 Program sales tax revenue and Local Transportation Fund (LTF) Bus Program sales tax revenue underran the budget by \$5.8 million and \$2.4 million, respectively, through the first quarter of the FY (see Table 2 below). However, it is anticipated that sales tax for the first quarter will continue to be received over the next few months as the California Department of Tax and Fee Administration (CDTFA) continues to process sales tax allocations. Staff is continuing to work with the CDTFA to ensure all sales tax receipts are accounted for and posted against the appropriate quarter.

Table 2 - First Quarter LTA and LTF Sales Tax Revenue							
		Budget		Actual		\$ Variance	% Variance
LTA	\$	82,138,918		\$ 76,383,602		\$ (5,755,316)	-7.01%
LTF	\$	42,168,511		\$ 39,758,579		\$ (2,409,932)	-5.72%

### Summary

Overall, revenue was in alignment with the budget due to a combination of an underrun in sales tax revenue netted against grant revenue received in the first quarter which was connected to the previous FY for the Orange Transportation Center parking structure project. Operating expenses underran the budget by \$46 million, primarily due to an underrun in contributions to local agencies based on the timing of invoices and the quarterly Metrolink operating subsidy payment which occurred after the quarter closed. Capital expenses underran the budget by \$12 million, primarily due to right-of-way acquisition expenditures for the I-405 Improvement Project. Salaries and benefits underran by \$2 million due to vacancies OCTA-wide.

---

***Attachment***

- A. Quarterly Budget Status Report First Quarter of Fiscal Year 2018-19

**Prepared by:**



Anthony Baruch  
Section Manager,  
Financial Planning and Analysis  
(714) 560-5332

**Approved by:**



Andrew Oftelie  
Executive Director,  
Finance and Administration  
(714) 560-5649