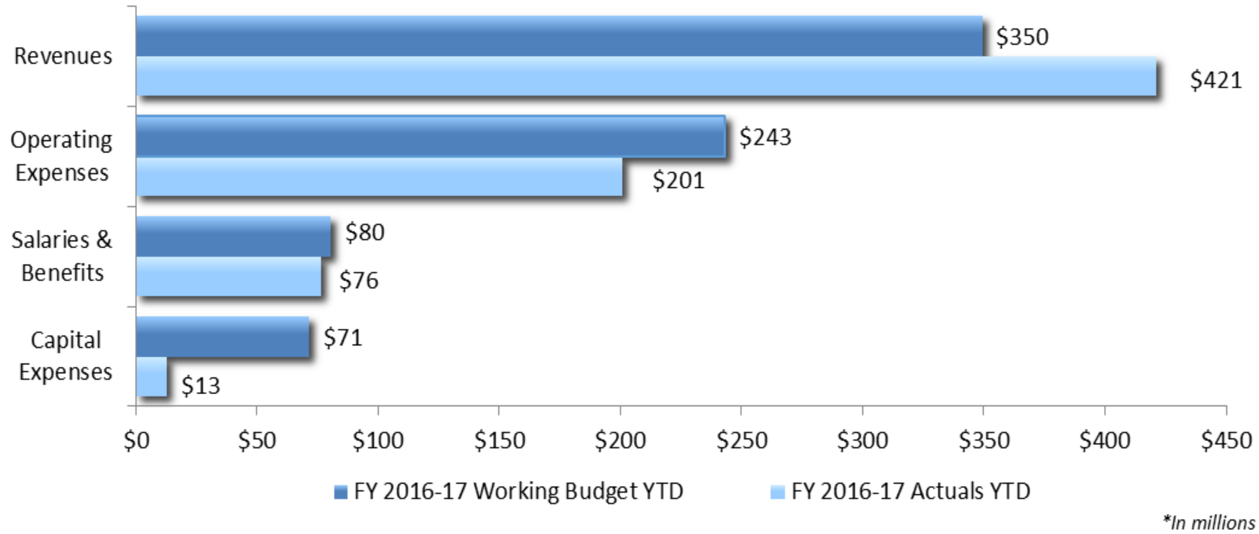
ATTACHMENT A

Quarterly Budget Status Report

Second Quarter of Fiscal Year 2016-17



OVERVIEW

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2016-17 budget on June 13, 2016. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and meet service commitments.

Through the second quarter, actual Measure M2 (M2) sales tax revenues underran the budget by $2.3 million and Transit Program sales tax revenue underran by $0.8 million. Sales tax revenue advances for the M2 and Transit programs grew by 1.93 percent and 1.30 percent year-over-year through the second quarter. Although the growth rates for advances for the second quarter are below the budgeted growth rates of 4.4 percent for M2 and 2.8 percent for Transit, the actual amount of sales tax receipts for the second quarter will not be finalized until mid-March when OCTA receives the second quarter "true-up" payment. Fare revenue for Transit Operations underran by approximately $1 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.2 percent. Although operating revenues are underrunning, Transit Program operating expenditures are also underrunning by $5.3 million.

The majority of variance explanations are due to timing issues for both revenues and expenses. In areas where expenditures underrun the budget, the primary cause is timing issues related to capital projects. Often these same projects have external funding that cannot be sought for reimbursement until expenditures are incurred, creating underruns in revenues as well.

This report summarizes the material variances between the budget plan and actual revenues and expenses for the FY.

AMENDMENTS

In the second quarter, the OCTA Board approved two budget amendments in the amount of $1.15 billion.

Description (in millions)	Amount
Adopted Budget	$ 1,161,476
Increase of Job Access and Reverse Commute Funding	313
Design-Build I-405 Improvement Project	1,147,065
Total Working Budget	$ 2,308,854

STAFFING

A staffing plan of 1,386.5 full-time equivalent positions was approved for FY 2016-17. At the end of the second quarter 1,309.5 of these positions were filled.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	680.0	644.0	36.0	5.3%
Maintenance	171.0	159.0	12.0	7.0%
TCU	37.0	34.0	3.0	8.1%
Union Subtotal	888.0	837.0	51.0	5.7%
Transit Operations Support	176.5	166.5	10.0	5.7%
Other Administrative	322.0	306.0	16.0	5.0%
Administrative Subtotal	498.5	472.5	26.0	5.2%
Total OCTA	**1,386.5**	**1,309.5**	**77.0**	**5.6%**

TOTAL SALARIES AND BENEFITS

At the end of the second quarter, actual salaries and benefits of $76.4 million were $3.8 million under the budget of $80.3 million. This variance is due to a $1.1 million underrun in General Fund salaries and benefits and a $2.7 million underrun in Transit Program salaries and benefits. In both cases, the underruns are primarily driven by vacant administrative positions.

Total Salaries and Benefits Expenses	Budget	Actual	$ Variance	% Variance
Transit	$ 54,036	$ 51,335	$ 2,701	5.0%
General Fund	$ 26,240	$ 25,103	$ 1,137	4.3%
Total	**$ 80,276**	**$ 76,438**	**$ 3,838**	**4.8%**

PROGRAM AND FUND VARIANCES

Year-to-date material variances are listed by program or fund group in thousands.

General Fund	Budget	Actual	$ Variance	% Variance
Revenues	$ 2,635	$ 2,612	$ (23)	-0.9%
Expenses	$ 36,652	$ 36,338	$ 314	0.9%

Expenses: General Fund expenses underran the budget by $0.3 million. This variance is primarily attributed to the underrun of $1.1 million in salaries and benefits. The underrun in salaries and benefits is partially offset by general and administrative costs. General and administrative costs consist of time and expense based line items generally associated with recurring operational costs such as administrative salaries and benefits, office supplies, software, hardware, training, consulting services, etc. The majority of time and expense based services are utilized on an as-needed basis.

Measure M2 Program	Budget	Actual	$ Variance	% Variance
Revenues	$ 174,017	$ 193,231	$ 19,214	11.0%
Expenses	$ 141,463	$ 79,378	$ 62,085	43.9%

Revenues: Within the M2 Program, there are net overruns in revenue of $19.2 million. This is primarily due to overruns in OC Bridges ($11.4 million), and Regional Capacity Program revenues ($8.9 million). These overruns are due to prior year revenue reimbursements received in the current FY. However, the net overruns are partially offset by an underrun in sales tax revenue of $2.3 million. Through the second quarter, Local Transportation Authority (LTA) sales tax revenue advances grew by 1.93 percent year-over-year. Although sales tax growth for the second quarter is below the budgeted growth rate of 4.4 percent, the amount of sales tax receipts for the second quarter will not be finalized until mid-March when OCTA receives the "true-up" payment.

Expenses: M2 expenses are underrunning by $62.1 million. The variance can be attributed to Interstate 405 (I-405) Freeway improvements ($24.5 million), OC Bridges ($10 million), Regional Traffic Signal Synchronization ($7.4 million), State Route 57 (SR-57) Freeway Improvements ($5.2 million), and the Regional Capacity Program ($3.5 million).

The primary drivers behind the $24.5 million variance relating to the I-405 Improvement Project are project development, Right-of-Way (ROW) acquisition, construction design/build work in process, and professional services. The variance within ROW acquisition ($11 million) is due to the long lead time required to extend offers to land owners, and the difficulty of predicting the acceptance rate among property owners. The variance ($8.4 million) associated with project development is primarily due to invoices running one to two months in arrears. Expenses within project design consulting services underran by $3.1 million through the second quarter. Due to the size, scope, and complexity of the I-405 project, the efforts to develop and finalize the construction contract took longer than anticipated.

The $10.0 million underrun pertaining to OC Bridges can be attributed to several grade separation projects. The State College and Raymond Grade Separation projects are contributing $6.3 million to the underrun. This underrun is primarily due to the cooperative agreement with the city of Fullerton. Approval of an amendment to the cooperative agreement is required by the Fullerton City Council before additional payments can be provided to the city. Approval is expected late in the third quarter. The Tustin Avenue Grade Separation project is contributing $2.4 million to the underrun. Invoices related to this project are currently running one to two months in arrears. ROW land acquisition underran by $1.0 million due to a lower than expected cost to acquire necessary properties.

The Regional Traffic Signal Synchronization Program underran by $7.4 million through the second quarter. This is due to the collaboration process with consultants, local agencies, and California Department of Transportation (Caltrans). A large collaborative effort is required due to the scope of the projects, as such, the projects are taking longer than originally anticipated.

The $5.2 million variance pertaining to SR-57 project can primarily be attributed to delays in the project. The complete design and construction ready milestones were missed on the SR-57 post-widening replacement planting between Orangethorpe Avenue and Lambert Road. The design consultant made a tardy submittal of the 95 percent plans to Caltrans for review in late December 2016, and Caltrans has provided extensive markups and comments, and has expressed concerns regarding quality of the consultant submittal. Staff and Caltrans are working with the consultant to address the quality issues to complete the design, and achieve construction ready in the fourth quarter of FY 2016-17.

The construction ready milestone was missed on the SR-57 post-widening replacement planting between Katella Avenue and Lincoln Avenue. Caltrans delayed the required safety review of the 95 percent plans until January 2017. Pending Caltrans final review and resolution of comments, the construction ready milestone is anticipated in April 2017.

Approximately $3.5 million of the variance is associated with the Regional Capacity Program. The billing cycles and the magnitude of expenses are dependent upon the cities progress/completion of their individual projects, making billing cycles difficult to forecast. This program will continue to be monitored throughout the fiscal year.

Transit Program

	Budget	Actual	$ Variance	% Variance
Revenues	$ 139,088	$ 174,318	$ 35,230	25.3%
Expenses	$ 121,451	$ 109,062	$ 12,389	10.2%

Revenues: Transit revenues have overrun by $35.2 million. The variance is primarily related to the receipt of federal grant funds for the purchase of buses from the prior year. ($38.2 million). However, this overrun was partially offset by an underrun in fare revenues ($1 million) and sales tax revenues ($0.8 million).

An overrun of $35.2 million within revenue was related to a bus procurement. Federal grant funds received through the second quarter were a partial reimbursement from a prior year bus procurement. Additional federal grant funds are likely to be received as the fiscal year continues.

Fare revenues underran by $1 million. This is primarily due to lower than anticipated utilization of fixed-route bus services.

Year-over-year fixed-route boardings have decreased by 9.2 percent.

Transportation Development Act (TDA) sales tax revenues are currently $0.8 million under budget. Through the second quarter, TDA sales tax revenue advances grew by 1.30 percent year-over-year. Although sales tax growth through the second quarter is below the budgeted growth rate of 2.80 percent, the amount of sales tax receipts for the second quarter will not be finalized until mid-March when OCTA receives the "true-up" payment.

Expenses: The $12.4 million underrun in Transit expenditures is primarily attributed to bus capital projects and procurement ($6.1 million), salaries and benefits ($2.7 million), bus base and transit center projects ($1.4 million), fuels ($0.8 million), and equipment maintenance ($0.5 million).

Expenses related to bus capital projects and procurement underran through the second quarter by $6.1 million. Approximately $3.4 million of the underrun is due to the mid-life engine campaign on 97 compressed natural gas buses. Maintenance staff was required by Cummins to establish Installation Quality Assurance Approval (IQA) before the first set of engines could be delivered. The IQA was recently completed and project has continued. The remaining $2.6 million variance can be attributed to the procurement of buses for community based circulator service. This procurement has been placed on hold, due to the performance of other previously procured midsize buses.

Labor costs underran by approximately $2.7 million primarily due to vacant positions. The current vacancy rate for both the administrative and union groups is 5.7 percent.

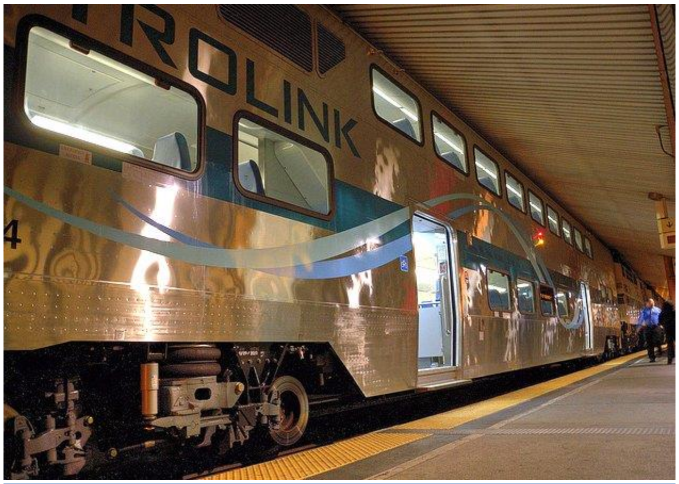
Projects related to bus base improvements have contributed $1.4 million to the variance. This underrun is primarily due to the project to improve security cameras at the Santa Ana and Garden Grove bases. This project is anticipated to begin in FY 2017-18 and has been re-budgeted.

The underruns in fuel ($0.8 million) and equipment maintenance ($0.5 million) can be attributed to the timing of invoicing from the vendors. Several accounts within these categories are billing two to three months in arrears. These underruns will diminish as the FY continues.

91 Express Lanes Program	Budget	Actual	$ Variance	% Variance
Revenues	$ 21,129	$ 25,974	$ 4,845	22.9%
Expenses	$ 28,692	$ 19,404	$ 9,287	32.4%

Revenues: The 91 Express Lanes revenues are overrunning by $4.9 million. Approximately $2.3 million of the overrun is related to more actual trips than originally anticipated through the second quarter. When forecasting trips, a conservative approach was taken due to the repaving project that resulted in weekend closures earlier in the fiscal year. It was anticipated that the weekend closures that would occur during the project would lead to a significant decrease in trips. The weekend closures related to the project did not have the projected negative effect and trips exceeded expectations through the second quarter. An additional $2.3 million of the overrun is related to more than anticipated non-toll revenues. These revenues are due to a higher number of toll violations having been processed through the second quarter and a larger number of account minimum fees has been collected than originally anticipated.

Expenses: 91 Express Lanes expenses are underrunning by $9.3 million primarily due to the pavement rehabilitation project. This project began later than expected due to scheduling requirements and weather conditions. The paving project is contributing $7 million to the underrun and should be completed in the third quarter. Operational costs related to the toll road are also contributing to the underrun. The contract for toll road operations was negotiated at a lower than expected rate leading to an underrun of $0.8 million.



Commuter and Urban Rail Endowment Fund (CURE)							
		Budget		Actual		$ Variance	% Variance
Revenues	$	3,385	$	3,692	$	307	9.1%
Expenses	$	51,480	$	19,094	$	32,386	62.9%

Revenues: CURE revenues overran by $0.3 million. The overrun is primarily due to grants revenue associated with the Laguna Niguel/Mission Viejo parking project. The Federal Transit Administration grant revenue related to this project was received earlier than expected.

Expenses: CURE expenses are underrunning by $32.4 million. The underrun is primarily due to the Orange Transportation Center Parking Expansion project ($23.3 million), the Metrolink operating subsidy ($5.7 million), and Metrolink Service Expansion Project Management Services ($2.3 million). The underrun related to the Orange Transportation Center Parking project is due to the change in scope and construction schedule for the project. Procurement for this project is currently in process, and construction should begin in the fourth quarter. Expenses for the Metrolink operating subsidy are currently running a month in arrears for the second quarter payment. The remaining underrun of $2.3 million is related to a Rotem car payment. During FY 2014-15, OCTA received two invoices related to the purchase of Rotem cars by Metrolink. The processing of these invoices took longer than anticipated due to a request for additional back up information and a subsequent financial review. After extensive review of the invoices and additional information, the process has moved forward and the payment will be made by the fourth quarter.