



March 8, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Fiscal Year 2016-17 Second Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2016-17 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2016-17.

Recommendation

Receive and file as an information item.

Background

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 projects. The OCTA budget is a compilation of individual budgets for each of OCTA's funds, including the General Fund; five enterprise funds; five special revenue funds; two capital project funds; one debt service fund; four trust funds; and two internal service funds.

The balanced budget as originally approved by the Board in June was \$1.16 billion. Sources of funds were comprised of \$972.2 million in current year revenues and \$189.3 million in use of prior year designations. Uses of funds were comprised of \$1.09 billion of current year expenditures and \$68.8 million of designations.

During the second quarter, the Board approved two amendments increasing both expense and revenue budgets by \$1.15 billion. The first amendment approved on September 26, 2016, increased the maximum obligation for two Job Access and Reverse Commute agreements by \$0.3 million. The second was approved on November 14, 2016, for Agreement No. C-5-3843,

design-build costs for the I-405 Improvement Project totaling \$1.15 billion. These amendments increased the total FY 2016-17 working budget to \$2.31 billion.

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 amendments, staffing levels, and provides explanations for any material budget-to-actual variances within each pertinent OCTA program or fund. The OCTA programs and funds included are the Measure M2 (M2) Program, Transit Program, 91 Express Lanes Program, Commuter and Urban Rail Endowment Fund, and General Fund.

Attachment A is comprised of two sections. The first section covers total OCTA information, amendments, staffing, revenues, operating, and capital expenditures. The second section focuses on variance explanations by program or fund.

Through the second quarter, actual 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. These underruns are discussed further in Attachment A.

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

Summary

Through the second quarter, actual 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 experienced year-over-year growth of 1.93 percent and 1.30 percent through the second quarter of FY 2016-17. Although the growth rates for advances for the second quarter are below the budgeted growth rates of 4.4 percent and 2.8 percent, 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 underran by approximately \$1.0 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.

Attachment

- A. Quarterly Budget Status Report Second Quarter of Fiscal Year 2016-17

Prepared by:



Scott Arbuckle
Section Manager,
Financial Planning and Analysis
(714) 560-5350

Approved by:



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