



Orange County Transportation Authority

Fiscal Year 2017-18 Budget Workshop Questions & Answers

Item 12

1. **Question:** Expenditures exceed revenues by \$86.4 million in the fiscal year (FY) 2017-18 Budget. Is OCTA utilizing prior year's designations based on planned project expenditures?

Answer: Yes, each year OCTA designates (saves) current year revenue for future capital projects. For example, OCTA is designating \$59.4 million in funds from the bus program for future bus capital purchases. OCTA takes a similar approach with each program that has future capital expenditures. It is important to note that the FY 2017-18 Budget does not have an \$86.4 million operating deficit. OCTA is using funds designated in prior years to pay for planned capital expenditures in next year's budget.

2. **Question:** There is a decrease in passenger fares in the FY 2017-18 Budget, does this mean that there is also an assumption of a decrease in fixed-route boardings?

Answer: Yes, the FY 2017-18 fare revenue assumption assumes a 6.5% decrease in fixed-route boardings. The assumption is based on the continued decrease in fixed-route boardings in the current fiscal year. It is important to note that the decrease of 6.5% in fixed-route boardings is not a ridership goal, but only represents a conservative assumption for budget development purposes.

3. **Question:** Please provide a historical analysis of M2 sales tax revenue projections and actuals over the last several fiscal years?

Answer:

M2 Sales Tax Growth Rates By Fiscal Year								
Fiscal Year	Chapman	UCLA	CSUF	Average Rate	Muni Rate	Budget Rate	Actual Rate*	Variance
2011	5.1%	8.2%	4.9%	6.1%		1.1%	6.5%	5.4%
2012	6.8%	4.8%	6.5%	6.0%		6.5%	6.2%	-0.3%
2013	6.2%	7.2%	3.3%	5.6%		6.3%	6.2%	-0.1%
2014	6.1%	6.2%	7.4%	6.6%		6.0%	4.8%	-1.2%
2015	6.3%	9.1%	7.9%	7.8%		6.7%	4.3%	-2.4%
2016	5.7%	6.5%	8.0%	6.7%		5.7%	3.2%	-2.5%
2017	4.5%	4.4%	6.5%	5.1%	4.4%	4.4%	2.8%	-1.6%
2018	4.4%	4.9%	6.3%	5.2%	3.3%	3.3%		

* The 2.8% growth rate for FY 2017 is based on actuals through December 2016



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4. Question: Is the decline in M2 revenues due to the Great Recession applied equally among the M2 Projects?

Answer: Yes, each project within the M2 program is allocated a fixed percentage of total M2 sales tax revenue based on the M2 Ordinance. As sales tax receipts are received, OCTA uses each project's allocation percentage to calculate the amount of sales tax allocated to each project.

The decline in revenue poses a different set of challenges and risks to OCTA depending on the mode within the M2 Program. OCTA has more flexibility in managing declines in sales tax revenue within the Streets and Roads and Transit modes. The funding for many of the projects in these modes is formula driven and is distributed solely based on actual sales tax revenue received. In addition, other programs are funded based on a call-for-projects, and therefore can be managed based on the amount of each call. Additionally, within the Transit mode OCTA also has the flexibility to adjust funding for Metrolink service depending on the availability of sales tax revenue. The Freeway mode poses the most significant challenge and largest risk to OCTA in terms of meeting the commitments of the M2 Ordinance. With the exception of the contribution to the Freeway Service Patrol, all projects within the freeway mode are capital improvement projects with a defined scope. As a result, OCTA must deliver each of the capital projects despite the large decline in sales tax revenue. In order to meet the commitment to the voters, and not eliminate projects or reduce project scopes, OCTA is relying on external funding to deliver the freeway program.

5. Question: Are there any projects in the pipeline to utilize the unprogrammed M2 Project S funds?

Answer: It is anticipated that the Transit Master Plan, which is currently under development, will identify high propensity transit corridors that the Board may consider investing in for additional bus or rail services. In order for any additional investment in bus or rail service to be eligible for M2 Project S funds, the services will need to meet the requirements of the M2 Ordinance.

6. Question: What has been the ridership impact to the Orange County portion of the 91 Express Lanes due to the opening of the Riverside lanes?

Answer: Since the Riverside County Transportation Commission opened the 91 Express Lanes extension in Riverside County on March 20, 2017, both traffic volumes and toll revenues have increased on the Orange County segment of the 91 Express Lanes. When compared to the same period last year, traffic volumes have increased 12.5 percent and toll revenues have increased by 11.9 percent since operations began.



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7. **Question: When will the Orange County Taxi Administration Program (OCTAP) fully utilize the balance of its reserves, and what percentage would each city be required to contribute to make up the deficit through FY 2017-18?**

Answer: OCTA estimates the OCTAP program will run out of funds by the end of December 2017. OCTA proposed each city contribute to the FY 2017-18 shortfall at a percentage commensurate to their share of the population of the County. The total amount that the local jurisdictions would have to collectively contribute is \$167 thousand dollars.

8. **Question: What is OCTA's obligation in continuing to administer the OCTAP program, and what specifically is OCTA paying for to administer the program?**

Answer: OCTA is not obligated to administer the OCTAP program. OCTA began administering the program in 1998 at the request of the local jurisdictions to centralize the regulation of countywide taxi service. The essential services provided by OCTA in administering the OCTAP program can be found on Attachment A.

9. **Question: Can you provide an analysis of the administrative efforts undertaken on behalf of OCTAP in order for the Board to assess the level of ongoing essential services provided by OCTA?**

Answer: Yes, the essential services provided by OCTA in administering the OCTAP program can be found on Attachment A.

10. **Question: What is the impact of Senate Bill 1 (SB-1) to the FY 2017-18 Budget?**

Answer: Based on the passage of SB-1, OCTA anticipates an additional allocation of \$19.3 million per year in State Transit Assistance funding for the bus transit program. The effective date of SB-1 is November 1, 2017, as a result \$12.9 million is included in the FY 2017-18 Budget.

11. **Question: What is included in Other Revenue on slide 6?**

Answer:

In Millions

Other Revenue	FY 2017-18 Proposed
ARTIC Loan Repayment	\$3.0
Department of Motor Vehicle Fee Revenue	3.0
Low Carbon Transit Operations Program Revenue	1.7
Miscellaneous Revenue	0.3
Total	\$8.0



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The Department of Motor Vehicle revenue supports the Motorist Services Program, including the Callbox, 511 and Freeway Service Patrol programs. The Low Carbon Transit Operations Program revenue will be used to support fare reductions and to purchase bike racks for buses.

12.Question: What are the cost drivers increasing General Administrative costs from \$11.7 million in FY 2016-17 to \$13.2 million in FY 2017-18 on slide 8?

Answer: The increase of \$1.5 million is primarily driven by costs associated with the reconfiguration of the 600 Building's first floor (\$0.4 million), scheduled replacement of desktop computers (\$0.3 million), office space leases (\$0.3 million), and Ellipse software cost (\$0.3 million).

13.Question: What is the interest rate on the outstanding M2 debt?

Answer: The average interest rate for the 2010 Measure M2 debt is 4.33%. For OCTA's other outstanding debt, the 91 Express Lanes issuance in 2013, the average interest rate is 3.83%.

14.Question: What is ARBA? How many people are receiving this benefit today?

Answer: Since 1995, the Orange County Transportation Authority (OCTA) has provided a retirement income supplement referred to as the Additional Retiree Benefit Account (ARBA). This benefit is offered to retired members of the Orange County Employees Retirement System (OCERS). The ARBA benefit has been funded and administered pursuant to a 1994 Memorandum of Understanding with OCERS and its subsequent amendments. OCTA allocates one percent of payroll to fund the benefit.

The ARBA benefit provides retirees, who qualify for a retirement benefit from OCERS, a supplemental retirement benefit of \$10 per month for each year of service, up to a maximum of \$150 per month, in the form of a monthly cash payment. There are currently 691 OCTA retirees receiving this supplemental benefit at a monthly cost of approximately \$74,000.

15.Question: What are the Merit and Special Award pools for FY 2016-17?

Answer: In FY 2016-17, the approved merit pool was 4% and special award pool was 3%.

16.Question: How many employees are in PEPRA?

Answer: There are currently 146 OCTA employees in PEPRA out of 1,346.5 total employees.



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17.Question: Is the annual merit pool the only form of compensation adjustment available to administrative employees as part of the annual review process?

Answer: Yes. Annual salary increases are not automatic and are based solely on a pay-for-performance structure. If awarded an annual merit increase, that amount comes from the annual merit pool.

18.Question: What is the status of the remaining Rotem car repayment schedule?

Answer: As part of the OCTA agreement approved in January 2012, the member agencies of the Southern California Regional Rail Authority (SCRRA) agreed to repay OCTA for the costs associated with the use of Rotem rail cars purchased by OCTA. These costs were agreed to be repaid by the member agencies through annual payments to SCRRA covering a portion of OCTA's annual rail rehabilitation expenses. Through FY 2016-17, \$23,439,043 of the original \$33,147,108 has been repaid by the member agencies, leaving a remaining balance of \$9,708,065. The remaining balance will be repaid over the final two fiscal years of the schedule, with \$6,059,016 to be repaid in FY 2017-18, and \$3,649,049 to be repaid in FY 2018-19.

19.Question: Continual training for IS staff, specifically in regards to cyber security, is an important responsibility in today's environment. Are we budgeting with this in mind?

Answer: Yes, funding is being provided for cyber security training. Additionally, all employees across the organization are being trained on the proper procedures regarding cyber security.

Essential Service Provided by OCTAP

Background Checks – OCTAP staff ensure that all company principals and taxicab drivers have submitted to a Department of Justice (DOJ) criminal background check, that the applicant is enrolled in the DOJ Subsequent Arrest Program (SAP), and that the applicants background check has been reviewed and cleared by the Orange County Sherriff's Department (OCSD) before issuing an OCTAP permit.

Business Licenses – OCTAP staff ensure that a taxicab company possess at least one valid business license before issuing a company permit.

DMV Pull Notice – OCTAP staff monitor taxi companies to ensure that their drivers are enrolled in the California Department of Motor Vehicles Pull Notice Program and that companies review and report any disqualifying conditions.

Drug and Alcohol Program – OCTAP staff ensure that all taxicab drivers are screened annually and are enrolled in an approved random drug and alcohol testing program.

Insurance – OCTAP staff ensure that all companies continuously maintain commercial liability insurance that is compliant with OCTAP requirements.

Meetings and Hearings – OCTAP staff coordinate and prepare materials for all Quarterly OCTAP Steering Committee and Safety Committee meetings, public hearings, appeals hearings, and other meetings.

Member Agency Support – OCTAP staff issue alerts to member agencies informing them of revoked company permits or reports of bandit operators within their jurisdiction as necessary. OCTAP staff also participate in coordinated high-profile enforcement events with member agencies as requested.

Office Facilities, Equipment, Supplies, and Services – OCTA provides and maintains the OCTAP facility located in Garden Grove, provides all office equipment and supplies, and all accounting, cleaning, employment, legal, marketing, media, payroll, printing, website, and other services necessary to employ OCTAP staff and provide OCTAP services.

Permit Processing – OCTAP staff ensure that all permitting processes are completed, and that accurate determinations are made based on OCTAP regulations before issuing or denying an OCTAP permit. OCTAP monitors permit expiration dates, driver license expiration dates, drug and alcohol program enrollment dates, drug and alcohol program testing, DOJ background checks and subsequent arrest program notifications to assure continuous compliance with the OCTAP regulations. OCTAP staff initiate the suspension or revocation of permit holders that do not meet OCTAP regulation guidelines. OCTAP staff ensure that proper notification is made to applicants and permit holders who are the subject of an administrative action and that the subject is made aware of their right to appeal. OCTAP staff coordinate appeals hearings as necessary/requested, prepares hearing materials and the OCTAP case, solicits hearing officers, and prepares hearing determination letters for hearing officer signature.

Research and Recommendations – OCTAP staff conduct regular research and make recommendations to the OCTAP Steering Committee and member agencies in a number of areas including setting passenger fares and regulation guidelines and respond to all requests for public information.

Service Standards – OCTAP staff review company policies as part of issuing a company permit and monitor companies for compliance with regulations related to 24-hour live dispatch, maintaining order and dispatch records, credit card processing, issuing customer receipts, lost and found articles, complaint handling, taxicab vehicle breakdowns with a passenger on board (stranded passengers), required vehicle markings, posting OCTAP permits, and requirements to disclose their OCTAP permit number on all materials.

Unsatisfied Judgments - OCTAP staff ensure that company owners, principal officers, and partners are checked for unsatisfied judgments annually, as a condition of maintaining an OCTAP company permit (check performed by and cleared by OCTA Legal Counsel).

Vehicle Standards – OCTAP staff ensure that every OCTAP permitted vehicle passes an annual vehicle inspection, is randomly inspected at least one each year, and is inspected for probable cause when an issue is reported by a member of the public or by an OCTAP member agency representative.