



**June 28, 2017**

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Fiscal Year 2016-17 Third 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 third 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; six special revenue funds; one capital project fund; 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.

The Board has 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 C-5-3843, Design-Build costs for the

Interstate 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 Rail 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.

The third quarter true-up was received for the Local Transportation Authority (LTA) M2 sales tax revenue. The results yield a 2.29 percent growth rate year-over-year in comparison to the budgeted growth rate of 4.4 percent. Table 1 shows budget versus actual LTA M2 sales tax revenues received quarterly with the true-up included for each quarter.

<b>Table 1 - LTA M2 Sales Tax Revenue</b>				
	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Total YTD</b>
Budget	\$ 77,610,405	\$ 82,291,806	\$ 71,627,319	\$ 231,529,530
Actuals	\$ 75,979,564	\$ 80,967,512	\$ 71,019,965	\$ 227,967,041
<b>Variance</b>	<b>\$ (1,630,841)</b>	<b>\$ (1,324,294)</b>	<b>\$ (607,354)</b>	<b>\$ (3,562,489)</b>

\*True-up payments are received at the end of the following quarter.

Similarly, in the third quarter, the true-up for the Local Transportation Fund (LTF) sales tax revenue was also received. The results yield a 2.34 percent growth rate year-over-year in comparison to the budgeted growth rate of 2.8 percent. Table 2 shows budget versus actual LTF sales tax revenues received quarterly with the true-up included for each quarter.

<b>Table 2 - LTF Sales Tax Revenue</b>				
	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Total YTD</b>
Budget	\$ 39,807,310	\$ 41,573,889	\$ 36,973,156	\$ 118,354,355
Actuals	\$ 39,568,549	\$ 41,800,481	\$ 37,145,453	\$ 118,514,483
<b>Variance</b>	<b>\$ (238,761)</b>	<b>\$ 226,592</b>	<b>\$ 172,297</b>	<b>\$ 160,128</b>

\*True-up payments are received at the end of the following quarter.

Fare revenue for Transit Operations underran by approximately \$2 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.1 percent. Underruns in operating revenue for the Transit Program are offset by underruns of \$7.9 million in operating expenditures. These underruns are discussed in more detail 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***

In the third quarter, LTA M2 and LTF sales tax revenue true-ups were received. The results yielded a 2.29 percent growth rate year-over-year compared to the budgeted growth rate of 4.4 percent for LTA M2 sales tax revenue and 2.34 percent growth compared to the budgeted growth rate of 2.8 percent for LTF.

Fare revenue underran by approximately \$2 million, primarily due to a year-over-year decrease in fixed-route boardings of 9.1 percent. Underruns in operating revenue for the Transit Program are offset by underruns of \$7.9 million in operating expenditures.

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***Attachment***

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

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