



May 14, 2018

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Fiscal Year 2018-19 Budget Workshop

Overview

The Orange County Transportation Authority is developing the fiscal year 2018-19 budget, which identifies available revenues and the costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in a two-hour informal workshop following the May 14, 2018, Orange County Transportation Authority Board of Directors' meeting.

Recommendation

Review the fiscal year 2018-19 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors' meeting on May 14, 2018.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2017 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). The service plan and program goals and objectives were developed in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January, which were subject to successive internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Executive Director of Finance and Administration, and Executive Director of Human Resources and Organizational Development, to ensure a balanced and fiscally responsible budget is delivered consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next 10 Plan.

The development of the FY 2018-19 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration Committee on February 28, 2018. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), bus operations, rail, Motorist Services, and the 91 Express Lanes.

In FY 2018-19, the sales tax growth rate for the M2 Program is forecasted to be 3.7 percent, and the growth rate for the ¼ cent Local Transportation Fund sales tax is forecasted to be 3.1 percent, based on the Board-approved sales tax methodology.

The FY 2018-19 proposed budget includes \$27.5 million of Senate Bill 1 funding. This includes \$6.8 million for streets and roads, \$1.5 million for freeway service patrol, and \$19.2 million for the bus program, with approximately \$13.5 million eligible for transit capital and/or operations purposes, and approximately \$5.7 million annually for capital purposes.

The FY 2018-19 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the current FY. The uses of these funds are planned and do not represent a utilization of funds as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

The combination of estimated revenues and planned use of reserves produces available funding of \$1,299.1 million, while proposed expenditures and designations yield a total use of funds of \$1,299.1 million. On a year-over-year comparison to the approved FY 2017-18 budget, the FY 2018-19 proposed budget is less than 1 percent, or \$9.3 million, higher than the FY 2017-18 budget. The increase is driven by capital expenditures anticipated for freeway and transit projects funded by M2. Capital expenditures for the Transit Extensions to Metrolink Program are larger primarily due to anticipated expenditures for the OC Streetcar Project (\$184.7M). Capital expenditures for the Freeways Program are larger primarily due to anticipated expenditures for the I-405 Improvement Project (\$201.7M).

Service levels are proposed to remain the same as the current FY for fixed-route service at 1.6 million revenue hours. The proposed budget continues to include fixed-route service at 60 percent directly-operated and 40 percent of the service delivered by OCTA's contracted service provider. Efforts to increase ridership

will continue with OC Bus 360. In addition, two new services will begin next FY, which include the OCFlex pilot service and the BRAVO 529 Express Service. No fare increase is assumed in the budget.

Staff will be presenting the FY 2018-19 budget in detail in an informal workshop setting on May 14, 2018. The presentation will include a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 11, 2018, Board meeting, after which staff anticipates seeking Board approval of the budget.

Summary

Staff will conduct a budget workshop for the OCTA Board immediately following the Directors' Reports scheduled at the May 14, 2018, Board meeting. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 11, 2018, Board meeting, after which staff anticipates seeking Board approval of the budget.

Attachment

A. Fiscal Year 2018-19 Budget Workshop

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