



June 11, 2018

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Public Hearing on Orange County Transportation Authority's Fiscal Year 2018-19 Budget and Personnel and Salary Resolution

Overview

The Orange County Transportation Authority Fiscal Year 2018-19 Budget presents a balanced plan of sources and uses of funds while providing for the current and future transportation needs of Orange County. The Board of Directors may approve the fiscal year 2018-19 budget following the public hearing to be held at the Board of Director's Meeting on June 11, 2018, at the following Board of Directors' meeting on June 25, 2018, or in a special meeting convened at their discretion. The Board of Directors are also asked to approve changes to the Personnel and Salary Resolution as part of the budget approval process.

Recommendations

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2018-19 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2018-19.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approve fiscal year 2018-19 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, in an amount up to \$29,403,103, including authorization of Federal Transit Administration funds, in an amount up to \$8,374,341, to be drawn down directly by Southern California Regional Rail Authority. In addition, approve capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County Transportation Authority's portion of the costs for capital is \$2,378,558 and \$56,369,426 for rehabilitation.

- E. Authorize the Chief Executive Officer, or designee, to accept the grant award of \$1,206,518 in Federal Transit Administration 5339b Bus and Facilities Infrastructure Investment Program funds, execute grant-related agreements with the Federal Transit Administration, and authorize staff to amend the Federal Transportation Improvement Program for rehabilitation activities at Orange County Transportation Authority bus buses and transit facilities already included in the proposed FY 2018-19 budget.

Background

The Orange County Transportation Authority (OCTA) staff has developed a balanced budget for fiscal year (FY) 2018-19 that defines the financial resources required to provide a broad spectrum of multi-modal transportation services.

A budget workshop was conducted with the Board of Directors (Board) on Monday, May 14, 2018, during which staff made a presentation covering plans for each of OCTA's programs and services, and its associated revenues and expenses.

Discussion

The preparation of OCTA's annual budget began in December 2017 with the development of preliminary revenue projections, a service plan, and program goals and objectives for the upcoming FY. The service plan and program goals were developed in accordance with the Board Strategic Initiatives and Chief Executive Officer (CEO) Initiatives. The budget is consistent with the Next 10 Plan, and incorporates the Board approved sales tax forecasting methodology, as well as California's Senate Bill 1 (SB 1) (Chapter 5, Statutes 2017).

Each division developed and submitted its budget requests in January, which were subject to successive internal reviews to ensure conformance set by executive management. The 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 initiatives, and Next 10 Plan.

The development of the FY 2018-19 budget was based on a series of programmatic assumptions that have been presented to the Finance and

Administration Committee over the course of the last two months. The presentations have covered the guiding principles and assumptions used to develop the budgets for OCTA's major programs, including Measure M2 (M2), Bus Operations, Rail, Express Lanes, Motorist Services, and OC Streetcar.

The 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 use of prior year designations. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY. The combination of revenues and planned use of prior year designations produces available funding of \$1,305.9 million, while expenditures and designations yield a total use of funds of \$1,305.9 million. On a year-over-year comparison, the FY 2018-19 budget is 1.2 percent, or \$16.1 million, higher than the FY 2017-18 budget.

The available funding includes revenues of \$1,068.1 million and a use of prior year designations of \$237.8 million. Based on MuniServices' forecast, it is anticipated that sales tax will increase by 3.7 and 3.1 percent for M2 and Local Transportation Fund, respectively. The FY 2018-19 budget incorporates SB 1 in the amount of \$19.2 million for the Bus Program and \$8.3 million for streets and roads, and Freeway Service Patrol. It is estimated that \$16.5 million will be received in State Transit Assistance funding from the State of California to support the Bus Operations Program. Passenger fares are budgeted at \$48 million. Furthermore, based on 95 percent of Stantec's projections, it is anticipated that toll revenue for the 91 Express Lanes will increase by \$11 million on a budget-to-budget basis.

The planned use of prior year designations is comprised of funds previously designated or reserved for future operating or capital expenditures. The largest draw on prior year designations will be from M2, with \$197.3 million planned for expenditures for the improvements on freeways, streets and roads, transit, and rail.

The use of funds consists of salaries and benefits of \$166 million, services and supplies of \$328.3 million, contributions to other agencies of \$189.9 million, debt service of \$56.6 million, capital expenditures of \$484.8 million, and designations for future operating and capital requirements of \$80.3 million.

OCTA will continue to honor the commitment made to the residents of Orange County when they approved the renewal of Measure M. Approximately \$565.2 million in M2 related expenditures are budgeted for projects to improve transportation within Orange County. These funds will pay for improvements to

freeways and streets and roads throughout Orange County, as well as fund rail and transit programs.

Of the \$565.2 million in M2 related expenditures, the funds will be utilized for improvements to freeways (\$211.5 million), streets and roads (\$170.8 million), rail (\$100.9), transit (\$23.7 million), environmental cleanup (\$13.9 million), and to cover the net cost of M2 debt service (\$44.4 million).

OCTA's efforts to increase bus ridership include the continuation of OC Bus 360, which includes the implementation of a new Bravo Route along Beach Boulevard, the introduction of a new micro-transit pilot project called OCFlex, and no fare increase for FY 2018-19. It is anticipated that total expenditures for the countywide bus system will be \$366.4 million. Approximately \$290.3 million is budgeted for operations, \$19.8 million is budgeted for capital expenditures, and \$10.4 million will be utilized for special programs.

Designated funds consist of funds being set aside for future year expenditures. Approximately \$80.3 million is being designated in the FY 2018-19 budget for future capital expenditures. The largest designations are in the Orange County Transit District Fund (\$45.9 million) for future fixed-asset purchases, and the 91 Express Lanes Fund (\$26.9 million) for future capital improvements along the State Route 91 corridor.

Staff was available to present, review, or answer questions about the budget at the following committees, as well as to individual Board Members upon request.

Committee	Date
Legislative and Communications	May 17
Finance and Administration	May 23
Executive Committee	June 4
Regional Planning and Highways	June 4

Personnel and Salary Resolution

The FY 2018-19 Personnel and Salary Resolution (PSR) (Attachment C) governs administrative employees and is approved annually as part of the budget. Changes have been made to the PSR to include minor clarifications, where necessary.

The PSR includes a four percent merit pool and three percent special performance award pool. The PSR also includes a salary structure adjustment of two percent and a new grade level, "W". An adjustment was made to grade level "V" to maintain an appropriate differential between salary grades "U" and "W". Salary structure adjustments do not automatically increase employee salaries unless they are below the minimum of the new range. Currently, there are no OCTA employees that fall below the proposed minimums of the new grade ranges.

Information Systems Licensing and Maintenance Agreements

Each year, in conjunction with approving the budget, the Board approves OCTA's software and hardware licensing and maintenance agreements. OCTA follows industry practice to ensure proper maintenance and to receive critical product upgrades of its licensed software and purchased hardware. The annual licensing and maintenance agreements are executed with each hardware and software developer on a sole source basis, for an amount not to exceed the contracted value for each vendor. The sole source list includes licensing and maintenance agreements, as well as emergency support after hours, weekends, and holidays.

Two specific firms that appear on the sole source list are Coastline Consulting Services and Compucom. These firms provide emergency malware support in the event of a cyber attack or related incident. Although other vendors could provide these services, OCTA included them on the sole source list based on the criticality of their services and prior knowledge and experience with OCTA, as well as their standing in the industry in regards to cyber security remediation. On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$5.7 million. A list of the agreements is included as Attachment D.

Southern California Regional Rail Authority (SCRRA) Budget

Under the Joint Powers Agreement that governs the SCRRA, each member agency must approve its financial contribution to the SCRRA budget. The FY 2018-19 SCRRA budget estimates the OCTA operating funding allocation to be \$29,403,103, including authorization of Federal Transit Administration (FTA) funds, in an amount up to \$8,374,341, to be drawn down directly by SCRRA.

In addition to the annual operating funding allocation, OCTA is also responsible for a portion of the costs for capital and rehabilitation projects. These projects are typically led by the SCRRA, and the grant funds to pay for them are drawn

down directly by the SCRRA. As a result, these projects are not typically included in OCTA's budget. The SCRRA budget (Attachment E) provides a detailed list of projects and the associated costs by member agency. OCTA's portion of the costs for capital is \$2,378,558 and \$56,369,426 for rehabilitation. This year, staff is recommending that approval of the capital and rehabilitation budget be contingent upon all member agencies approving their share of Metrolink's capital and rehabilitation projects to ensure that OCTA only provides funds to Metrolink for projects that have full funding commitments from all affected member agencies.

Federal Transit Administration 5339b Bus and Facilities Infrastructure Investment Program

In April, OCTA was notified of a grant award of \$1,206,518 from the FTA 5339b Bus and Bus Facilities Infrastructure Investment Program. The grant represents a partial award based on OCTA's application for funds to rehabilitate bus bases and transit centers throughout Orange County. The award will support rehabilitation activities that are included in the existing FY 2018-19 budget proposal, but staff is requesting Board authorization to accept the grant and enter into funding agreements. Since these projects were already proposed to be funded with existing FTA 5307 and 5337 funds, staff will return to the Board at a later time with recommendations on how to utilize the funding that may be offset by the addition of the FTA 5339b funds.

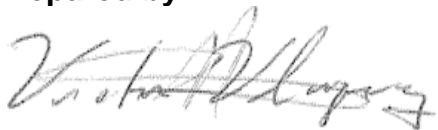
Summary

The Orange County Transportation Authority Fiscal Year 2018-19 Budget was reviewed by the Board of Directors in a workshop setting on May 14, 2018. The Board of Directors may approve the FY 2018-19 budget following the public hearing on June 11, 2018, at the regularly scheduled meeting on June 25, 2018, or in a special meeting convened at their discretion.

Attachments

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2018-19
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2018-19
- C. Proposed Changes for the Personnel and Salary Resolution FY 2018-19
- D. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List Fiscal Year 2018-19
- E. Transmittal from Arthur T. Leahy, Chief Executive Officer, SCRRA, to Darrell Johnson, Chief Executive Officer, OCTA, Darren Kettle, Executive Officer, VCTC, Anne Mayer, Executive Director, RCTC, Phil Washington, Chief Executive Officer, Metro, and Dr. Raymond Wolfe, Executive Director, SBCTA, dated April 30, 2018, Subject: SCRRA Preliminary FY 2018-19 Budget

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