OCTA

June 13, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2017-18 Third Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2017-18 budget. This report summarizes the material variances between the budget and actual revenue and expenses through the third quarter of fiscal year 2017-18.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2017-18 Budget on June 12, 2017. The approved budget itemized the anticipated revenue and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was $1.29 billion. Sources of funds were comprised of $1.06 billion in current FY revenue and $232.6 million in use of prior year designations. Uses of funds were comprised of $1.15 billion of current year expenditures and $142.7 million of designations.

The Board has approved six amendments through the third quarter, increasing the expense budget by $61.9 million. The first amendment was approved on September 25, 2017, to support the new upcoming Bravo! Bus Route 529 and increased the maximum obligation with New Flyer of America, Inc., by $3.6 million, exercising an option to purchase six, 40-foot, low-floor compressed natural gas buses wrapped with the Bravo! branding.

The second amendment was approved on October 9, 2017, in the amount of $1.9 million. The amendment was necessary to accommodate a contract change order with Bomel Construction Company, Inc., for the removal and disposal of contaminated materials discovered at the construction site of the Metrolink parking structure at the Orange Transportation Center.

A third amendment was approved by the Board on October 9, 2017, in the amount of $6 million, to pay for a portion of OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) in place of Federal Transit Administration (FTA) grant funds. When the Board originally approved the OCTA member contribution to SCRRA for Metrolink service, in an amount up to $28.2 million, it included $6 million of FTA grant funds to be drawn down directly by SCRRA. Subsequently, OCTA was notified by SCRRA that, due to the timeline of the FTA grant application and award process, they would not be able to utilize the $6 million in the current FY. As a result, this budget amendment was necessary to supplant the FTA grant funds.

A fourth amendment, approved by the Board on November 13, 2017, increased the expense budget by $13.3 million to accommodate the purchase of ten hydrogen fuel cell electric buses. The purchase will be completed through a new contract with New Flyer of America, Inc. A fifth amendment, also approved by the Board on November 13, 2017, increased the expense budget by $4.8 million. This amendment was for construction of a liquid hydrogen fueling station at the Santa Ana Bus Base.

The sixth amendment was approved by the Board on February 26, 2018, in the amount of $32.3 million, authorizing staff to procure a contractor for toll lanes systems integration of both the 91 Express Lanes and future 405 Express Lanes. In total, these amendments increased the working budget to $1.35 billion.

Discussion

Staff monitors and analyzes revenue and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included in Attachment A are Bus, Rail, 91 Express Lanes, Motorist Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by $7 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun can be expected to continue throughout the year based on future net vacancies.

Bus Program operating revenue overran by $0.9 million, primarily due to higher than anticipated sales tax revenue. Bus program operating expenses underran the budget by $12.1 million, primarily due to staffing vacancies, lower fuel and other consumables expenses, and lower-than-anticipated paratransit trips.

Capital revenue overran the budget by $5.2 million due to prior year revenues received in the current FY for projects associated with bus bases and transit centers. Capital expenses underran the budget by $1.3 million due to contract timing on a Park and Ride revitalization project and a metal siding and framing project at the Irvine Construction Circle Bus Base.

The Rail Program operating revenue was in line with the budget, coming within two percent. Operating expenses were $7 million lower than the budget, or 22 percent, primarily due to timing of rail support service expenditures, the quarterly Metrolink operating subsidy payment to SCRRA, and Video Surveillance System projects at two Metrolink stations. Capital revenue underran the budget by $16.6 million, or 89 percent, primarily due to the timing of the construction contract award for the Placentia Metrolink Station project. Capital expenses underran the budget by $21.7 million, or 50 percent, also primarily due to the timing of the Placentia Metrolink Station project.

The 91 Express Lanes Program received $7.5 million, or 38 percent, more in operating revenue than budgeted. This is primarily due to the continued increase in demand since Riverside County Transportation Commission's opening of the 91 Express Lanes extension into Riverside County. Actual operating expenses underran by $2.8 million, or 18 percent, primarily due to underutilization of as-needed items for various services contracts.

Revenue and expenses for the Motorist Services Program each underran the budget by $0.7 million, with a minor underrun in operating expense related to Freeway Service Patrol.

Sales tax revenue for the Local Transportation Authority M2 Program and Local Transportation Fund Bus Program grew by 3.29 percent and 3.23 percent through the second quarter, respectively, compared to the budgeted growth rates of 3.3 percent and 2.4 percent. However, the actual amount of sales tax receipts for the third quarter will not be finalized until August when OCTA receives the "true-up" payment.

Summary

Overall, OCTA revenue overran the budget by $68 million. This is primarily due to receiving more operating capital grant revenue and sales tax revenue than budgeted. Salary and benefit expenses underran the budget by $7 million, primarily due to vacancies in the Bus Program. Operating expenses underran the budget by $74 million, primarily due to the lower than anticipated paratransit trips, supplies, and support services. Capital expenses underran the budget by $281 million, primarily due to the timing of construction projects.

Attachment

A. Quarterly Budget Status Report Third Quarter of Fiscal Year 2017-18

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