



**October 24, 2018**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Fiscal Year 2017-18 Fourth 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 fourth 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 approved seven amendments through the end of the FY, increasing both expense and revenue budgets by \$62.7 million. These amendments are summarized in the table below. In total, these amendments increased the working budget to \$1.35 billion.

Date	Description	Amount*
7/1/2017	Adopted Budget	\$1,289,773
9/11/2017	Additional funding for Environmental Mitigation Program restoration projects.	805
9/25/2017	Purchase of six 40-foot CNG buses for Bravo! route 529.	3,595
10/9/2017	Removal of contaminated materials at Orange Transportation Center parking structure construction site.	1,930
10/9/2017	SCRRA member agency contribution replacement for FTA funds.	6,000
11/13/2017	Purchase of ten hydrogen fuel cell electric buses.	13,307
11/13/2017	Construction of hydrogen fueling station at Santa Ana Bus Base.	4,778
2/26/2018	Services for toll lanes systems integration.	32,309
	<i>Subtotal Amendments</i>	<i>62,724</i>
	<b>Total Working Budget</b>	<b>\$1,352,497</b>

\*Amounts in thousands

### 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 \$8.3 million. This is due to vacancies OCTA-wide, primarily, coach operator vacancies which accounted for \$5.9 million of the underrun.

Bus Program operating revenue overran by \$0.4 million due to Local Transportation Fund sales tax revenue. Bus Program operating expenses underran the budget by \$11.5 million, primarily due to staffing vacancies and lower fuel and other consumables expenses. Capital revenue overran the budget by \$12.2 million due to prior year grant revenue received in the current FY for projects associated with bus purchases and the engine upgrade project. Capital expenses underran the budget by \$3 million due to the timeline for infrastructure projects at the Santa Ana bus base and the Fullerton Transportation Center extending into the next FY, and lower than anticipated bids for installation of video surveillance systems at the Santa Ana and Garden Grove bus bases.

The Rail Program operating revenue was in line with the budgeted amount, coming within one percent of the budgeted amount. Operating expenses were \$10.9 million lower than the budget, primarily due to rail support service expenditures which have been rebudgeted in the next FY, and the quarterly Metrolink operating subsidy payment to SCRRA. Capital revenue underran the budget by \$38.9 million, primarily due to the timing of grant revenue associated with the Orange Transportation Center Parking Structure Project and Laguna Niguel-San Juan Capistrano Passing Siding Project. Grant revenues are typically received three to four months in arrears following qualifying expenditures. Capital expenses underran the budget by \$45.9 million due to the timing of the Placentia Metrolink Station project and changes to the timeline for the Laguna Niguel - San Juan Capistrano passing siding project. These projects have been rebudgeted in the next FY.

The 91 Express Lanes Program received \$14.7 million 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 overran by \$0.6 million due to increased toll road usage leading to increased account servicing and credit card processing fees. Capital revenue and Capital expenses underran the budget by \$3.1 million each. This was primarily due to the capital expense portion of the Electronic Toll and Traffic Management System contract, which was lower than consultant estimates.

Operating revenue for the Motorist Services Program was in line with the budget, coming within one percent of the budgeted amount. Operating expenses for the Motorist Services Program underran the budget by \$1 million, primarily due to an additional Freeway Service Patrol beat to support construction of the Interstate 405 Improvement Project that was not implemented. The additional support was scheduled and budgeted to commence in the current FY, but will not take place until next FY.

Sales tax revenue for the Local Transportation Authority M2 Program and Local Transportation Fund Bus Program are estimated to have grown by 4.1 percent and 3.7 percent for the FY, respectively, compared to the budgeted growth rates of 3.3 percent and 2.4 percent. Sales tax revenue for the FY was estimated by MuniServices, LLC, due to a large number of tax payments for the FY that have not been processed by the California Department of Tax and Fee Administration (CDTFA). The CDTFA continues to process tax payments for the FY; however, it has stated that their methodology of allocating sales tax will not enable them to provide OCTA with the sales tax revenue attributable to the FY once all the tax payments for the FY are processed. OCTA is working with the CDTFA to address this issue.

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***Summary***

All of OCTA's programs operated within their approved budgets. Under operations, which includes the Bus, Rail, 91 Express Lanes, and Motorist Services programs, actual revenues were approximately \$38.3 million higher than actual expenses. Capital expenditures and revenues underran the budget. However, actual capital revenues outpaced actual expenditures by approximately \$22.2 million. It is important to note that capital grant funding cannot be reimbursed unless the associated expenses have been incurred. As a result, more capital revenue can be received in a FY associated with projects from a prior FY.

***Attachment***

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

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