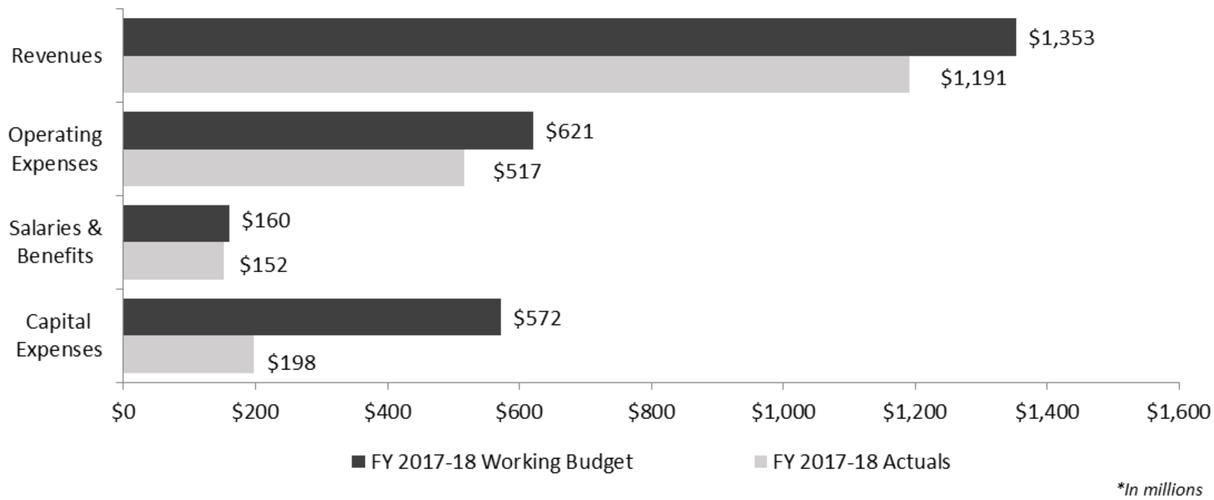
Quarterly Budget Status Report

Fourth Quarter of Fiscal Year 2017-18



STAFFING

A staffing plan of 1,346.5 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2017-18. At the end of the fourth quarter, 1,220 of these positions were filled, representing a vacancy rate of 9.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	643	577	66	10.3%
Maintenance	171	148	23	13.5%
TCU	37	35	2	5.4%
Union Subtotal	851	760	91	10.7%
Bus Operations Support	165.5	154	11.5	6.9%
Other Administrative	330	306	24	7.3%
Administrative Subtotal	495.5	460	35.5	7.2%
Total OCTA	**1,346.5**	**1,220**	**126.5**	**9.4%**

TOTAL SALARIES AND BENEFITS

Total salaries and benefits of $151.8 million were $8.3 million lower than the budget of $160.2 million. This variance is comprised of a $5.9 million underrun in the Bus Program salaries and benefits, as well as a $2.4 million underrun in General Fund salaries and benefits. In both groups, the underruns are driven by vacant positions.

	Budget	Actual	$ Variance	% Variance
Bus Program	$ 105,423	$ 99,556	$ 5,867	5.6%
General Fund	54,728	52,284	2,444	4.5%
Total	**$ 160,151**	**$ 151,840**	**$ 8,311**	**5.2%**

PROGRAM VARIANCES

Year-to-date material variances are listed below by program. All dollar amounts in tables are shown in thousands.

Bus Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 336,363	$ 336,741	$ 378	0.1%
Expenses	336,363	324,855	11,508	3.4%
Net Operating	**$ -**	**$ 11,887**		
Capital				
Revenue	35,956	48,136	12,180	33.9%
Expenses	35,956	32,923	3,033	8.4%
Net Capital	**$ -**	**$ 15,213**		

Operating Revenue: The $0.4 million overrun in Bus Program operating revenue can be attributed to Local Transportation Fund (LTF) Bus Program sales tax revenue which experienced an annual growth rate of 3.7 percent for the FY, compared to the budgeted growth rate of 3.3 percent.

Operating Expenses: The $11.5 million underrun in Bus Program operating expenses can be attributed to salaries and benefits ($5.9 million), fuel and other consumables ($2.9 million), contracted service ($1.3 million), and paratransit service ($0.7 million).

Salaries and benefits underran the budget by $5.9 million. This is primarily due to vacant positions. The vacancy rate at the end of the fourth quarter was 10.7 percent for Bus Program union employees and 6.9 percent for Bus Program administrative employees, compared to budgeted vacancy rates of 3 percent for each group.

The underrun of $2.9 million for fuel and other consumables such as tires, motor oil, and hoses is primarily due to the Alternative Fuel Tax Credit (AFTC) of $2.3 million from the federal government which offset fuel costs. The AFTC was not budgeted due to its uncertainty.

Contracted services underran the expense budget by $1.3 million. For contracted fixed-route service ($0.7 million), the underrun is due to penalties imposed on the contractor, as well as lower contracted revenue vehicle hours provided than budgeted based on mid-year service adjustments. For contracted special agency service ($0.6 million), the underrun is due to the timing of service commencement for two new facilities: Alzheimer’s Family Services Centers in Mission Viejo and Irvine. The Mission Viejo facility opened later than anticipated and the Irvine facility did not open in the FY.

The underrun of $0.7 million in paratransit service expenses can be attributed to supplemental taxi service. The average cost per trip was $3.36 lower than the budgeted rate of $37.39 based on distance traveled.

Capital Revenue: Capital revenue overran the budget by $12.2 million, which is due to prior year grant revenues received in the current FY for bus purchases and the engine upgrade project. The timing of the receipt of funds from external sources can cross FY’s. Frequently, projects that have external funding sources cannot seek reimbursement until expenditures are incurred or projects are officially closed.

Capital Expenses: Capital expenses underran the budget by $3 million, primarily associated with bus base and transit center capital projects.

A procurement for installation of video surveillance systems at the Santa Ana and Garden Grove bus bases contributed $0.7 million to the underrun. Bids for the project were lower than expected.

Infrastructure upgrades to prepare for a hydrogen fueling station contributed $0.7 million to the underrun. Due to staffing turnover at Southern California Edison, this project is taking longer than expected and will now be completed in the next FY. Design work on a transit security and operations center underran by $0.5 million. Due to the complexity of the project involving multiple stakeholders, this project phase will extend into the next FY. Design services for a heating and ventilation unit replacement underran by $0.5 million. This is due to the timing of a contract task order under an existing agreement. Expenses for these projects have been rebudgeted in the following FY.

Rail Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 48,386	$ 48,710	$ 324	0.7%
Expenses	48,386	37,480	10,906	22.5%
Net Operating	**$ -**	**$ 11,229**		
Capital				
Revenue	70,212	31,334	(38,878)	-55.4%
Expenses	70,212	24,326	45,886	65.4%
Net Capital	**$ -**	**$ 7,009**		

Operating Revenue: Rail Program operating revenue was in line with the budget, coming within one percent of the budgeted amount of $48.4 million.

Operating Expenses: Rail Program operating expenses underran the budget by $10.9 million. The underrun is primarily associated with rail support services ($4.8 million), Metrolink operating subsidy ($3.6 million), and engineering and modeling services ($1.6 million).

The underrun in rail support services is associated with the Positive Train Control (PTC) project which is being led by Southern California Regional Rail Authority (SCRRA). PTC expenses of $1.7 million to cover the final invoice were budgeted in FY 2017-18 in anticipation that the project may extend into the current FY. However, actual expenses were booked in the prior FY which resulted in an underrun.

Also, within rail support services, billing from the City of Fullerton for the Fullerton Transportation Center elevator project has been less than anticipated ($1 million). This is due to a moratorium on construction activity by Burlington Northern Santa Fe (BNSF), owner of the rail corridor, in addition to timing of steel work which caused the construction schedule to be updated. The expense has been rebudgeted in the following FY.

Another contributor to the variance in rail support services is the Orange Transportation Center parking structure project ($0.5 million). The City of Orange is the lead on the design phase and will invoice OCTA upon completion of the project. This is expected to occur the following FY and the expense has been rebudgeted.

The $3.6 million underrun associated with the Metrolink operating subsidy is due to a credit received in the current FY. Each FY, the Metrolink operating subsidy is adjusted based on operating subsidy deficits or surplus from previous FYs. Due to a surplus from a prior FY, actual contributions from OCTA are less than what was anticipated for the FY.

The $1.6 million underrun for engineering and modeling services can be attributed to design and engineering services for the Placentia Metrolink Station. Prior to procurement of these services, final approval of the station design by BSNF, City of Placentia acquisition of required BNSF right-of-way (ROW), and finalization of the BNSF construction and maintenance agreement remain to be completed. As a result, underruns for the Metrolink station continued through the end of the FY. This expense has been rebudgeted in the following FY.

Capital Revenue: The $38.9 million underrun in Rail Program capital revenue can be attributed to the Laguna Niguel - San Juan Capistrano (LN-SJC) Passing Siding Project ($22.1 million), the Orange Transportation Center parking structure project ($9.1 million), and the slope stabilization project ($2 million). Expenses must be incurred before grant revenue can be sought. Once eligible expenditures take place, staff will seek grant reimbursement.

Capital Expenses: The $45.9 million underrun in Rail Program capital expenses can be attributed to the LN-SJC Passing siding project ($22.7 million) and the Placentia Metrolink Station project ($21.8 million).

The LN-SJC Passing Siding project underran by $22.7 million. This is due to the timing of the construction phase cooperative agreement with SCRRA. This is the result of multiple stakeholder modification requests during the design phase of the project. Construction activity is now anticipated to take place next FY. This expense has been rebudgeted in the following FY.

The $21.8 million underrun associated with the Placentia Metrolink Station project is due to later-than-anticipated execution of the construction contract. The contract cannot be advertised until a construction and maintenance agreement is in place with BNSF, owner of the rail ROW. Originally anticipated to be complete in the current FY, this is expected to take place in the following FY and the expense has been rebudgeted.

91 Express Lanes Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 61,117	$ 75,796	$ 14,679	24.0%
Expenses	61,117	61,677	(560)	-0.9%
Net Operating	**$ -**	**$ 14,119**		
Capital				
Revenue	11,515	8,410	(3,105)	-27.0%
Expenses	11,515	8,410	3,105	27.0%
Net Capital	**$ -**	**$ -**		

Operating Revenue: The 91 Express Lanes operating revenue overran the budget by $14.7 million. The overrun can be attributed to revenue from fees such as violation processing and account minimum fees ($6 million), increased trips resulting from Riverside County Transportation Commission's extension of the 91 Express Lanes into Riverside County ($5.2 million), and an overrun in interest income for the 91 Express Lanes cash accounts due to a more favorable interest rate environment than initially forecast ($1.5 million).

Operating Expenses: The 91 Express Lanes operating expenses overran the budget by $0.6 million. The overrun is due to increased toll road usage leading to increased account servicing and credit card processing by the 91 Express Lanes vendor for these items.

Capital Revenue: Capital revenue for the 91 Express Lanes underran the budget by $3.1 million. This pertains to correlating expense underruns in the capital portion of the Electronic Toll and Traffic Management (ETTM) system contract.

Capital Expenses: Capital expenses for the 91 Express Lanes underran the budget by $3.1 million due to the capital portion of the ETTM system contract ($2.4 million) and improvements to the customer service center ($0.5 million). For the ETTM system contract, initial estimates were provided by a consultant and the actual executed contract amount was lower than estimated. The underrun of $0.5 million associated with improvements to the customer service center is due to the project being postponed by Riverside County Transportation

Commission, the lead agency on the project, until the following FY. The expense has been rebudgeted.

Motorist Services Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 8,271	$ 8,316	$ 45	0.5%
Expenses	8,271	7,290	981	11.9%
Net Operating	**$ -**	**$ 1,026**		

Operating Expenses: Operating Expenses underran the budget by $1 million for the FY. This underrun is due to timing for Freeway Service Patrol (FSP) additional support service for the Interstate 405 (I-405) Improvement Project ($0.4 million), a sign-installation engineering consultant which was not procured ($0.3 million), and a discontinued project for FSP performance monitoring ($0.2 million). The additional FSP service to support construction of the I-405 Improvement Project was expected to begin in the current FY based on the best estimates from the engineer at the time but was not needed until the next FY. The sign-installation engineering consultant for 511 Program signs was not procured because a more cost-effective method was determined utilizing engineering resources through existing freeway projects. The project for FSP performance monitoring was discontinued at the request of California Department of Transportation (Caltrans) staff. The project needs the coordination of Caltrans systems and they chose not to proceed.

M2 Program

Revenue: Local Transportation Authority M2 Program sales tax revenue grew at an annual rate of 4.1 percent for the FY, which was above the budgeted growth rate of 3.3 percent.

Mode	Budget	Actual	$ Variance	% Variance
Freeways	$ 232,596	$ 73,594	$ 159,002	68.4%
Streets & Roads	153,715	111,883	41,832	27.2%
Transit	34,505	9,825	24,681	71.5%
Administration	10,455	8,117	2,338	22.4%
Debt Service	28,794	28,794	0	0.0%
Total	**$ 460,065**	**$ 232,212**	**$ 227,853**	**49.5%**

Expenses: The M2 Program expenditures underran the budget by $227.9 million. Freeways contributed $159 million to the underrun, primarily due to unused contract contingency expenses and ROW services for the I-405 Improvement Project. Streets and Roads contributed $41.8 million to the underrun due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Transit contributed $24.7 million to the underrun, primarily due to lower than anticipated transit circulator grant payments to cities as well as the timing of contract execution with Southern California Regional Rail Authority for costs associated with the San Juan Creek Bridge Replacement project. Administration expenses for the M2 Program contributed $2.3 million to the underrun. Financial advisory and bond counsel service expenses related to debt issuance were lower than anticipated.