OCTA

March 13, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2018-19 Second Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2018-19 Budget on June 11, 2018. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was $1.31 billion. Sources of funds were comprised of $1.07 billion in current FY revenues and $237.8 million in use of prior year designations. Uses of funds were comprised of $1.23 billion of current FY expenditures and $80.3 million of designations.

The Board approved three amendments through the second quarter, increasing the expense budget by $132.8 million. These amendments brought the total working budget to $1.44 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2018	Adopted Budget	$1,305,861
8/13/2018	Purchase of eight streetcar vehicles and spare parts	51,528
9/24/2018	Construction of the OC Streetcar project	81,000
10/22/2018	Administration of the OC Taxi Administration Program	251
	Subtotal Amendments	*132,779*
	Total Working Budget	**$1,438,640**

*in thousands

Discussion

Staff monitors and analyzes revenues 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, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by $5.4 million. This is due to vacancies OCTA-wide. As a result, an underrun can be expected to continue, but can change slightly throughout the year based on future net vacancies.

Table 2 on the next page provides a year-to-date snapshot of advances for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget through the second quarter. For both programs, it is anticipated that sales tax for the second quarter will continue to be received over the next few months as the California Department of Tax and Fee Administration (CDTFA) continues to process sales tax allocations. Staff is continuing to work with the CDTFA to ensure all sales tax receipts are accounted for and posted against the appropriate quarter.

Based on advances posted to date, the year-end LTA M2 Program sales tax revenue is estimated to grow by 2.9 percent year-over-year in comparison to the budgeted growth rate of 3.7 percent. LTF Bus Program sales tax revenue is estimated to grow by 2.2 percent year-over-year in comparison to the budgeted growth rate of 3.1 percent. The year-end estimated growth rate is currently forecasted to be lower than the budgeted growth rate, primarily due to the previous FY ending on a higher base. On a comparative basis, had the previous FY finished in alignment with the FY 2017-18 budget, then the current year-over-year growth rate would be approximately 3.6 percent for the LTA M2 Program compared to the current budgeted growth rate of 3.7 percent and approximately 5 percent for the LTF Bus Program compared to the current budgeted growth rate of 3.1 percent.

Table 2 - Second Quarter LTA and LTF Sales Tax Revenue				
	Budget	**Actual**	**$ Variance**	**% Variance**
LTA	$ 164,277,836	$ 163,060,290	$ (1,217,546)	-0.74%
LTF	$ 84,337,022	$ 85,762,756	$ 1,425,735	1.69%

Bus Program operating revenue overran the budget by $8.5 million, primarily due to the receipt of state transit operating assistance funds which were received earlier in the FY than anticipated. Other factors leading to the revenue overrun are greater than anticipated sales tax revenue and revenue from the sale of alternative fuel credits. Bus Program operating expenses underran the budget by $4 million, primarily due to staffing vacancies. Contributing to the underrun is contracted specialty services such as OC Flex and the Enhanced Mobility for Seniors and Disabled Persons program. These underruns are largely due to the timing of billing and are expected to diminish as the FY progresses. The underruns were slightly offset by a $2.3 million overrun in fuel expense. Due to maintenance issues on a Southern California natural gas pipeline and higher demand for gas statewide, price increases for renewable natural gas were observed.

Bus Program capital revenue overran the budget by $3.1 million due to state grant revenue received for the purchase of six 40-foot buses for a new Bravo! rapid transit route. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY, but received in the current FY. Capital expenses underran the budget by $0.6 million due to contract execution timing for a revitalization project at the Fullerton Transportation Center. This variance is anticipated to diminish once the encumbered contract is executed in the third quarter of this FY.

Rail Program operating revenue overran the budget by $0.7 million primarily due to interest earned on investments in the cash account based on a large average monthly cash balance in the program fund. Operating expenses underran by $11.3 million, primarily due to contract execution timing with Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operating subsidy. The contract was executed in the second quarter, one quarter later than anticipated, causing invoice timing to be one quarter in arrears and contributing $9.6 million to the variance. However, this should normalize in the second half of the FY. Also contributing to the operating expense underrun is a $1 million variance associated with on-call design review services for the design phase of the Placentia Metrolink station project. Design review work cannot be initiated until a shared-use agreement is in place between SCRRA and Burlington Northern Santa Fe Railway, owner of the railway at the project location. The shared-use agreement is anticipated to be completed in the third quarter, and design review work can begin.

Capital revenue for the Rail Program overran by $13.4 million due to receipt of grant funds which were budgeted in a prior FY for construction of the Orange Transportation Center parking structure project, Placentia Metrolink station project, and Laguna Niguel-San Juan Capistrano passing siding project. Capital expenses were aligned with the budget through the second quarter, coming within two percent of the budgeted amount.

The 91 Express Lanes operating revenue overran by $0.8 million due to higher than anticipated toll violation fees collected. Operating expenses underran by $2.7 million due to the timing of a contract task order for back office support, as well as the timing of invoicing pertaining to the leasehold agreement for the customer service center and tow truck agreement with Riverside County Transportation Commission (RCTC). Additionally, as-needed services such as technical, strategic, and operations office support underran the budget.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by $0.8 million, primarily associated with the customer service center improvement project. The project is led by RCTC, and they have chosen to invoice OCTA at the end of the project in the next FY. However at the time of the budget development, billing for OCTA's portion was anticipated at regular intervals. Due to the underrun in capital expenses, less capital revenue is needed to cover the expenses. The variances will continue throughout the balance of the FY.

Actual revenue for the Motorist Services Program overran the budget by $0.1 million, or approximately two percent. The overrun is due to the timing of anticipated city contributions to the program received through the second quarter. This variance will diminish as the FY continues. Expenses for the program underran the budget by $0.4 million due to billing in arrears for tow service costs under the Service Authority for Freeway Emergencies.

Expenses for the M2 Program underran the budget by $48.3 million, primarily due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Another cause of the underrun in M2 Program expenses is right-of-way acquisition and right-of-way support services for the Interstate 405 (I-405) Improvement Project being less than anticipated through the second quarter.

Summary

Overall, revenue overran the budget by $57 million, primarily due to prior FY grant revenues received in the current FY. Operating expenses underran the budget by $61 million, primarily due to an underrun in contributions to local agencies based on lower than anticipated project payment requests and the quarterly Metrolink operating subsidy payment which occurred after the quarter closed. Capital expenses underran the budget by $23 million, primarily due to right-of-way acquisition expenditures for the I-405 Improvement project. Salaries and benefits underran by $5 million due to vacancies OCTA-wide.

Attachment

A. Quarterly Budget Status Report Second Quarter of Fiscal Year 2018-19

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