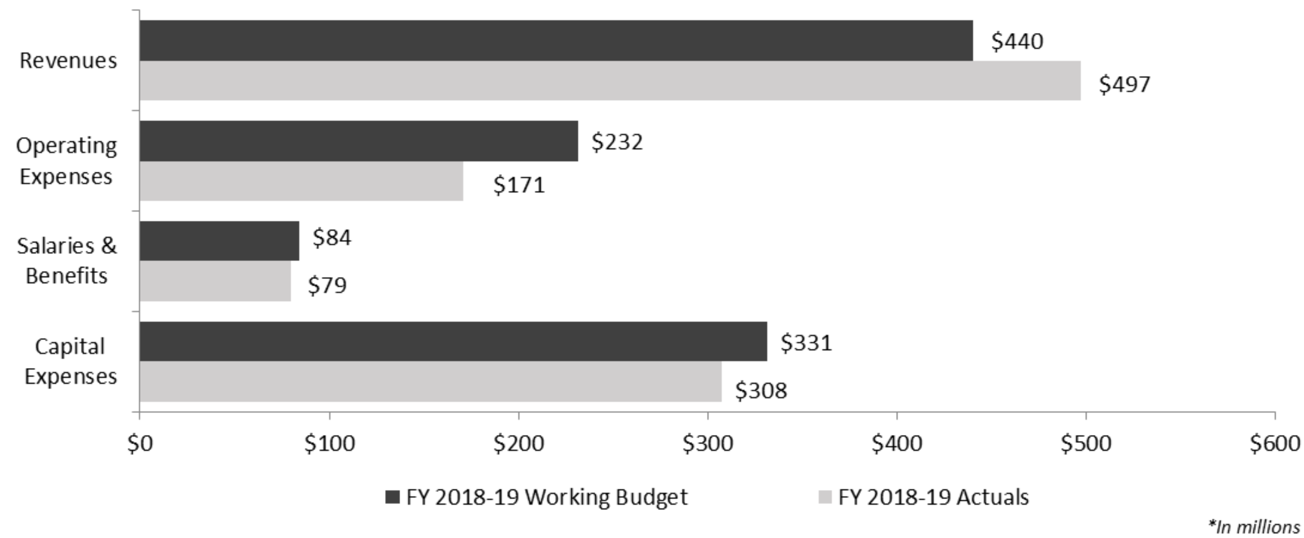
Quarterly Budget Status Report

Second Quarter of Fiscal Year 2018-19



STAFFING

A staffing plan of 1,353 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2018-19. At the end of the second quarter, 1,242 of these positions were filled, representing a vacancy rate of 8.2 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639.0	585.0	54.0	8.5%
Maintenance	171.0	148.0	23.0	13.5%
TCU	37.0	35.0	2.0	5.4%
Union Subtotal	847.0	768.0	79.0	9.3%
Bus Operations Support	165.5	157.0	8.5	5.1%
Other Administrative	340.5	317.0	23.5	6.9%
Administrative Subtotal	506.0	474.0	32.0	6.3%
Total OCTA	1,353.0	1,242.0	111.0	8.2%

TOTAL SALARIES AND BENEFITS

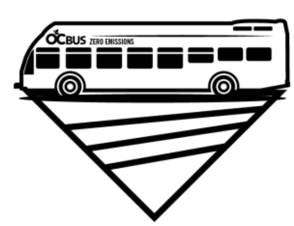
Total salaries and benefits of $78.4 million were $5.4 million lower than the budget of $83.9 million. This variance is comprised of a $3.2 million underrun in Bus Program salaries and benefits, as well as a $2.2 million underrun in General Fund salaries and benefits. In both groups, the underruns are the result of vacant positions.

	Budget	Actual	$ Variance	% Variance
Bus Program	$ 54,404	$ 51,187	$ 3,217	5.9%
General Fund	29,466	27,256	2,210	7.5%
Total	$ 83,870	$ 78,443	$ 5,427	6.5%

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	$ 124,807	$ 133,281	$ 8,474	6.8%
Expenses	119,416	115,445	3,971	3.3%
Net Operating	$ 5,391	$ 17,837		
Capital				
Revenue	3,593	6,677	3,084	85.8%
Expenses	3,593	2,961	632	17.6%
Net Capital	$ -	$ 3,716		

Operating Revenue: Operating revenue for the Bus Program overran by $8.5 million, primarily due to early receipt of state transit operating assistance funds ($3.4 million), higher sales tax receipts ($1.4 million), better than expected revenue from the sale of alternative fuel credits ($1 million), and grant funds associated with administration of the Vanpool Program ($0.7 million).

The $3.4 million overrun is tied to the receipt of state transit operating assistance revenues which were received earlier in the FY than anticipated. At the time of budget development, staff was unable to determine when the funds would be received, and so they were budgeted later in the FY. This variance will diminish as the FY continues.

Local Transportation Fund (LTF) sales tax revenue contributed $1.4 million to the overrun through the second quarter of the FY. 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 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 5 percent compared to the current budgeted growth rate of 3.1 percent.

Contributing to the overrun is $1 million due to sales of credits for operating an alternative fuel fleet of buses. Compared to the figures used for budgeting purposes of $112 per credit, a higher average per credit of $188 has been received through the second quarter of the FY which has led to an overrun. This variance is expected to continue throughout the FY.

The $0.7 million overrun associated with the administration of the Vanpool Program is due to the timing of grant funds. In a prior FY, OCTA budgeted receipt of federal operating assistance funds to match the expenditures, but the funds were received in the current FY.

Operating Expenses: The $4 million underrun in Bus Program operating expenses can be primarily attributed to salaries and benefits ($3.2 million) and contracted special service ($0.8 million).

Salaries and benefits underran the budget by $3.2 million. This is primarily due to vacant positions. The vacancy rate at the end of the second quarter was 9.8 percent for Bus Program union employees and 4.6 percent for Bus Program administrative employees.

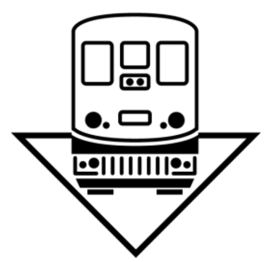
Contracted special services such as OC Flex micro-transit and the Enhanced Mobility for Seniors and Disabled (EMSD) Program contributed a total of $0.8 million to the underrun. A $0.4 million underrun for OC Flex service is due to the timing of invoicing from the service vendor. However, actuals are anticipated to align with the budget as the FY progresses. The EMSD Program is contributing $0.4 million to the underrun due to contract execution timing. Contract negotiations between OCTA and the agencies participating in the program led to invoices being held until the second half of the FY. This variance is anticipated to diminish as contracts are executed and expenditures are realized.

One offsetting overrun to the variance was observed in fuels in the amount of $2.3 million. The primary driver of this overrun is price increases for renewable natural gas. This is due to maintenance issues on a Southern California gas pipeline, and higher demand for gas throughout the state. This item will likely continue to overrun for the remainder of the FY.

Capital Revenue: Capital revenue overran the budget by $3.1 million. This is primarily due to state grant funds associated with the purchase of six buses for a new Bravo! bus route along Beach Boulevard. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY but received in the current FY. This variance is expected to remain throughout the FY.

Capital Expenses: Capital expenses underran the budget by $0.6 million, due to contract execution timing for a revitalization project at the Fullerton Transportation Center. A request for bids to revitalize bus platforms and canopies was conducted in the first half of the FY but was postponed due to non-responsive bidders. A rebidding of the contract will take place in the second half of the FY, with an encumbered contract anticipated to be executed before the end of the FY.

Rail Program



	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 22,214	$ 22,885	$ 670	3.0%
Expenses	22,214	10,894	11,320	51.0%
Net Operating	$ -	$ 11,990		
Capital				
Revenue	583	13,990	13,406	2298.2%
Expenses	470	464	5	1.1%
Net Capital	$ 114	$ 13,525		

Operating Revenue: Rail Program operating revenue overran the budget by $0.7 million, primarily due to positive interest on investments for the program. This is due to a slightly larger average cash balance than originally anticipated during the budget development.

Operating Expenses: Rail Program operating expenses underran the budget by $11.3 million.

The underrun is primarily associated with a $9.6 million underrun caused by contract execution timing with Southern California Regional Rail Authority (SCRRA) for the Metrolink operating subsidy payments. The funding agreement between OCTA and SCRRA for FY 2018-19 annual operating subsidy was finalized and signed in the second quarter, one quarter later than anticipated. As a result, invoices were held until the agreement could be completed and are running one quarter in arrears. The variance should be resolved by the fourth quarter.

Also contributing to the variance is a $1 million underrun associated with on-call design review services for the design phase of the Placentia Metrolink station project. The underrun is due to the timing of a shared-use agreement between SCRRA and Burlington Northern Santa Fe Railway (BNSF), which has not been finalized. The design review by BNSF will begin when the agreement is reached.

The remainder of the underrun is primarily associated with public outreach and project management services for multiple rail projects which are utilized on an as-needed basis. Because the services are used as-needed, the frequency and magnitude of the services can be difficult to forecast.

Capital Revenue: The $13.4 million overrun in Rail Program capital revenue can be attributed to reimbursements associated with the Orange Transportation Center parking structure project, Placentia Metrolink station project, Laguna Niguel-San Juan Capistrano passing siding project, and Anaheim Canyon Metrolink station project. State and federal capital grant funds for the right-of-way and construction phases of these projects were budgeted in a prior FY and received in the first half of the current FY based on eligible expenses.

Capital Expenses: Rail Program capital expenses were aligned with the budget through the second quarter, coming within two percent of the budgeted amount of $0.5 million.

91 Express Lanes Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 28,049	$ 28,869	$ 820	2.9%
Expenses	10,969	8,286	2,682	24.5%
Net Operating	$ 17,080	$ 20,583		
Capital				
Revenue	875	79	(796)	-90.9%
Expenses	875	79	796	90.9%
Net Capital	$ -	$ -		

Operating Revenue: The 91 Express Lanes operating revenue overran the budget by $0.8 million due to higher than anticipated toll violation fees collected. Due to the variable nature of this revenue source, it can be difficult to forecast.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by $2.7 million. The underrun is primarily due to the timing of the back-office support contract task order, as well as, the timing of invoices pertaining to the Riverside County Transportation Commission (RCTC) leasehold agreement and tow truck agreement, totaling a $1.7 million variance. In addition, as-needed services such as technical, strategic, and operations office support underran the budget through the second quarter in the amount of $0.6 million. Staff anticipates these expenditures will increase as the FY progresses.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by $0.8 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by $0.8 million primarily due to invoicing for customer service center improvements ($0.5 million) and computer equipment ($0.2 million).

The underrun of $0.5 million associated with customer service center improvements is due to invoices not being received in the current FY as expected. RCTC is the lead on this project, and at the time of budget development it was anticipated that OCTA would receive regular invoicing from RCTC. However, they now plan to invoice OCTA after the improvements are complete, which is anticipated to occur next FY.

The underrun of $0.2 million for computer equipment is associated with the 6C transponder project led by RCTC. Billing is anticipated to be received later in the FY.

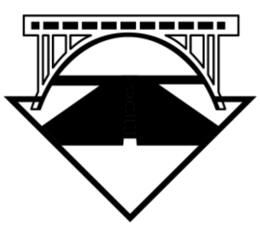
Motorist Services Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 2,838	$ 2,904	$ 65	2.3%
Expenses	2,838	2,473	365	12.9%
Net Operating	$ -	$ 431		

Operating Revenue: Operating 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 city contributions to the Orange County Taxi Administration Program received through the second quarter. This variance will diminish as the FY continues.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by $0.4 million. The underrun is entirely associated with the Service Authority for Freeway Emergencies. This is primarily due to tow service costs for Freeway Service Patrol. Invoices anticipated to be paid by the end of the second quarter will be paid in the third quarter.

M2 Program



Revenue: M2 Program sales tax revenue underran the budget by $1.2 million through December 2018. Based on advances posted to-date, the year-end 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. The year-end estimated growth rate is currently forecasted to be lower than the budgeted growth rate 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 compared to the current budgeted growth rate of 3.7 percent. However, 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.

Mode	Budget	Actual	$ Variance	% Variance
Streets & Roads	68,716	44,979	23,737	34.5%
Freeways	39,155	17,254	21,902	55.9%
Debt Service	10,315	10,315	0	0.0%
Administration	4,502	3,707	796	17.7%
Transit	5,329	3,438	1,891	35.5%
Total	$ 128,018	$ 79,692	$ 48,325	37.7%

Expenses: The M2 Program expenditures underran the budget by $48.3 million. Streets and Roads contributed $23.7 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. Freeways contributed $21.9 million to the underrun, primarily due to right-of-way acquisition and support services for the I-405 Improvement project. Transit contributed $1.9 million to the underrun, primarily due to actual as-needed rail program support services which were lower than anticipated. Typically, as-needed expenses can be difficult to project. M2 Program administration expenses contributed $0.8 million to the underrun due to lower debt issuance services, advisor fees, federal compliance advisory services, and M2 technical support staff services through the second quarter than budgeted.