



**June 12, 2019**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Fiscal Year 2018-19 Third 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 third 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 third quarter, increasing the expense budget by \$132.8 million. These amendments increased the 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
	<i>Subtotal Amendments</i>	<i>132,779</i>
	<b>Total Working Budget</b>	<b>\$ 1,438,640</b>

\*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 \$7.7 million. This is primarily due to vacancies OCTA-wide. As a result, an underrun is anticipated to remain through this FY.

Table 2 below 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 third quarter. For both programs, March sales tax receipts were significantly lower than anticipated. Staff is working with the California Department of Tax and Fee Administration to determine the cause of the underrun in sales tax receipts for the month and will include the information in the following quarterly report.

**Table 2 - Third Quarter Year-to-Date LTA and LTF Sales Tax Revenue**

	Budget	Actual	\$ Variance	% Variance
LTA	\$ 246,416,753	\$ 240,124,901	\$ (6,291,853)	-2.55%
LTF	\$ 126,505,532	\$ 126,592,651	\$ 87,119	0.07%

Based on advances posted to-date, growth in LTA M2 Program sales tax is flat in comparison to the budgeted growth rate of 3.7 percent. LTF Bus Program sales tax has grown by approximately 1 percent in comparison to the budgeted growth rate of 3.1 percent.

Bus Program operating revenue overran the budget by \$6.1 million, primarily due to the receipt of state transit operating assistance funds which were received earlier in the FY than anticipated. Bus Program operating expenses underran the budget by \$7.6 million, primarily due to staffing vacancies. Contributing to

the underrun is the Enhanced Mobility for Seniors and Disabled Grant Program, transit system security services, and OC Flex service. These underruns are largely due to the timing of billing and are expected to diminish as the FY progresses.

Bus Program capital revenue overran the budget by \$3.4 million primarily due to state grant revenue received for the purchase of six 40-foot buses for a new Bravo! Route 529 service 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. Also contributing to the overrun were federal grant funds received associated with security system upgrades at the Santa Ana and Garden Grove bus bases. Capital expenses underran the budget by \$0.5 million due to contract execution timing for a bus platform and canopy revitalization project at the Fullerton Transportation Center.

Rail Program operating revenue overran the budget by \$1.3 million primarily due to higher than anticipated interest earnings. Operating expenses underran by \$5.8 million, primarily due to the quarterly operating subsidy payment to Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operations. This underrun is the result of a credit received in the current FY based on prior year expenses finishing lower than originally anticipated. 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. Security services for passenger rail and rail right-of-way also contributed to the underrun due to the timing of invoices. The remainder of the underrun is associated with as-needed services such as right-of-way maintenance, public outreach, and project management services for multiple projects within the Rail Program.

Rail Program capital revenue overran by \$14 million due to receipt of grant funds which were budgeted in a prior FY for construction of the Orange Transportation Center parking structure project, Laguna Niguel-San Juan Capistrano passing siding project, and Anaheim Canyon Metrolink station project. Capital expenses overran the budget by \$10.1 million. The overrun is associated with the Laguna Niguel-San Juan Capistrano passing siding project. A construction contract was not anticipated to be executed until the fourth quarter of the FY, however due to the timely completion of the design phase, the contract was awarded in the third quarter.

The 91 Express Lanes Program operating revenue underran by \$0.1 million, primarily due to lower than projected toll revenue received through the third quarter. The underrun was offset by overruns in fees collected for toll violations and account minimums, and interest on investments in the 91 Express Lanes Fund. Operating expenses underran by \$4.2 million, due to the timing of the 6C protocol tolling infrastructure project, timing of a contract task order for the

back-office system project, and invoices in arrears for the back-office system project. Additionally, the toll road operating contract underran the budget by \$0.6 million due to a lower operating rate than anticipated.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by \$0.7 million primarily associated with the customer service center improvement project. The project is led by Riverside County Transportation Commission, and they have chosen to invoice OCTA at the end of the project in the next FY. However, at the time of budget development, billing for OCTA's portion was anticipated at regular intervals. Due to the underrun in capital expenses, less capital revenue was utilized to cover the expenses. The variances will continue throughout the balance of the FY.

Motorist Services Program revenue was in line with the budget through the third quarter. Expenses for the program underran the budget by \$0.5 million due to lower than anticipated invoices for contracted tow service for the Freeway Service Patrol Program. This variance is anticipated to continue for the remainder of the FY.

Expenses for the M2 Program underran the budget by \$94.3 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. Contributing to 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. Also contributing to the underrun is debt service expense based on the timing of payments associated with new debt issuance. These expenses were less than anticipated through the third quarter.

### ***Summary***

Overall, revenue overran the budget by \$91 million, primarily due to prior FY grant revenues received in the current FY. LTA M2 Program sales tax is flat in comparison to the budgeted growth rate, while LTF Bus Program sales tax has grown by approximately one percent in comparison to the budgeted growth rate. Operating expenses underran the budget by \$96 million, primarily due to an underrun in contributions to local agencies based on lower than anticipated project payment requests and lower than anticipated M2 debt service payments based on the timing of new debt issuance. Capital expenses underran the budget by \$40 million, primarily due to right-of-way acquisition expenditures for the I-405 Improvement Project. Salaries and benefits underran by \$8 million primarily due to vacancies OCTA-wide.

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***Attachment***

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

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