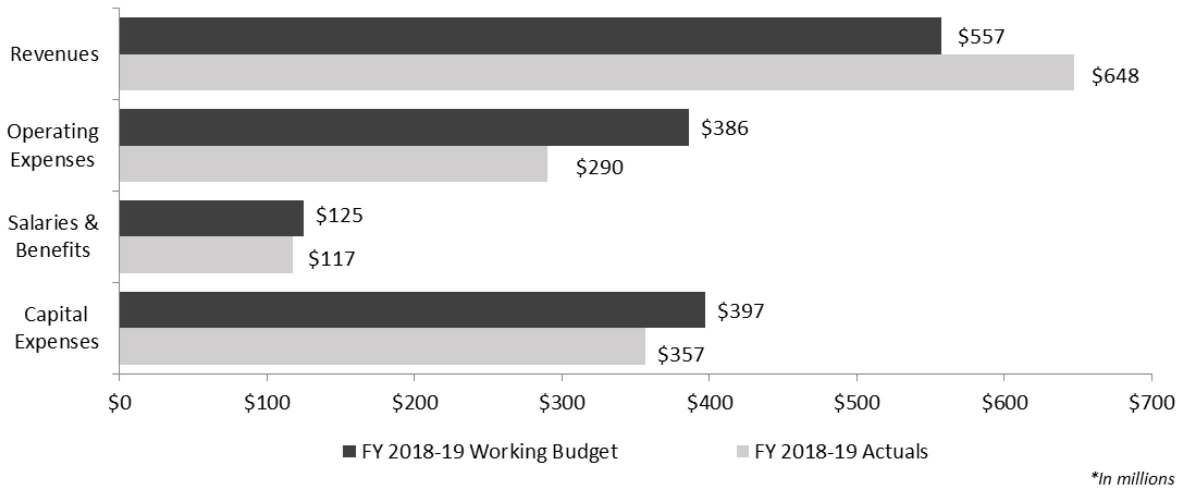
Quarterly Budget Status Report

Third 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 third quarter, 1,252.5 of these positions were filled, representing a vacancy rate of 7.4 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639.0	592.0	47.0	7.4%
Maintenance	171.0	147.0	24.0	14.0%
TCU	37.0	36.0	1.0	2.7%
Union Subtotal	847.0	775.0	72.0	8.5%
Bus Operations Support	165.5	160.5	5.0	3.0%
Other Administrative	340.5	317.0	23.5	6.9%
Administrative Subtotal	506.0	477.5	28.5	5.6%
Total OCTA	1,353.0	1,252.5	100.5	7.4%

TOTAL SALARIES AND BENEFITS

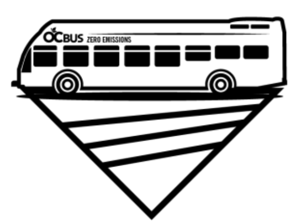
Total salaries and benefits of $117.4 million were $7.7 million lower than the budget of $125 million. This variance is comprised of a $4.8 million underrun in Bus Program salaries and benefits, as well as a $2.9 million underrun in General Fund salaries and benefits. In both groups, the underruns are the result of vacant positions.

	Budget	Actual	$ Variance	% Variance
Bus Program	$ 81,509	$ 76,742	$ 4,767	5.8%
General Fund	43,522	40,617	2,905	6.7%
Total	$125,031	$117,359	$ 7,673	6.1%

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	$ 198,889	$ 205,036	$ 6,146	3.1%
Expenses	182,842	175,261	7,581	4.1%
Net Operating	$ 16,048	$ 29,775		
Capital				
Revenue	5,703	9,121	3,418	59.9%
Expenses	5,703	5,216	487	8.5%
Net Capital	$ -	$ 3,905		

Operating Revenue: Operating revenue for the Bus Program overran the budget by $6.1 million primarily due to the receipt of state transit operating assistance funds which occurred earlier than anticipated in the FY. 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 is anticipated to be resolved in the fourth quarter when actuals align with the budget.

Operating Expenses: The $7.6 million underrun in Bus Program operating expenses can be primarily attributed to salaries and benefits ($4.8 million), Enhanced Mobility for Seniors and Disabled (EMSD) Grant Program ($1.1 million), transit system security services ($0.9 million), and OC Flex special service ($0.8 million).

Salaries and benefits underran the budget by $4.8 million. This is primarily due to vacant positions. The vacancy rate at the end of the third quarter was 8.5 percent for union employees and 3 percent for Bus Program administrative employees.

The EMSD Grant Program is contributing $1.1 million to the underrun due to contract execution timing. Contract negotiations and revisions between OCTA and some of the agencies participating in the new grant program have led to less than anticipated executed contracts through the third quarter. This variance is anticipated to diminish as more contracts are executed in the fourth quarter.

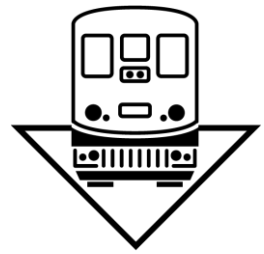
Security services underran by $0.9 million due to the timing of invoices. The police services, provided by the Orange County Sheriff's Department, monitor Orange County's bus system. The invoices from the vendor are not always received on a monthly basis, and can be received up to two months in arrears. Two monthly invoices for third quarter work were received and paid in the fourth quarter. This variance will be resolved by the end of the FY when all invoices for the FY have been received.

OC Flex service underran by $0.8 million due to additional review of vendor invoices. OCTA staff has been working with the service vendor to ensure proper data is received along with the invoice for payment. However, actuals are anticipated to align with the budget as the FY progresses.

Capital Revenue: Capital revenue overran the budget by $3.4 million. This is primarily due to $3 million in state grant funds associated with the purchase of six 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. This variance is expected to remain throughout the FY. The remainder of the underrun is due to the timing of federal capital assistance grant funds received. The funds, associated with a project to upgrade security systems at the Santa Ana and Garden Grove bus bases, were budgeted in a prior FY and received in the current FY.

Capital Expenses: Capital expenses underran the budget by $0.5 million, primarily associated with contract execution timing for a bus platform and canopy 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 fourth quarter 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	$ 29,630	$ 30,929	$ 1,299	4.4%
Expenses	29,630	23,840	5,790	19.5%
Net Operating	$ -	$ 7,088		
Capital				
Revenue	8,720	22,733	14,013	160.7%
Expenses	8,720	18,781	(10,061)	-115.4%
Net Capital	$ -	$ 3,952		

Operating Revenue: Rail Program operating revenue overran the budget by $1.3 million, primarily due to higher than anticipated interest earnings. This is due to both a larger average cash balance than originally anticipated during the budget development and a more favorable interest rate than anticipated.

Operating Expenses: Rail Program operating expenses underran the budget by $5.8 million.

The underrun is primarily associated with a $3.4 million underrun in OCTA's member contribution to Southern California Regional Rail Authority (SCRRA) for its share of the annual Metrolink operating subsidy. The underrun 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 prior FY expenses finishing lower than originally anticipated, actual contributions from OCTA are less than what was anticipated during current FY budget development. As a result, the variance will continue throughout the FY.

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. This item has been rebudgeted next FY.

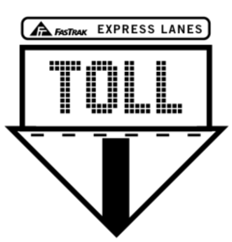
Rail Program security services underran by $0.4 million due to invoice timing. The police services, provided by the Orange County Sheriff's Department, monitor Orange County's passenger rail and rail right-of-way. The invoices from the vendor are not always received on a monthly basis and can be received up to two months in arrears. Two monthly invoices for third quarter work were received and paid in the fourth quarter. This variance should be resolved by the end of the FY when all invoices for the FY have been received.

Right-of-way maintenance and review services ($0.4 million), as well as public outreach and project management services ($0.3 million), for multiple rail projects contributed to the underrun in Rail Program operating expenses. These services 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 $14 million overrun in Rail Program capital revenue can be attributed to reimbursements associated with the Orange Transportation Center parking structure 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 current FY.

Capital Expenses: Rail Program capital expenses overran the budget by $10.1 million. This is due to the timing of a construction contract for the Laguna Niguel-San Juan Capistrano passing siding project. The contract was budgeted in the fourth quarter, but due to the timely completion of the design phase, the project was able to be bid for construction and a contract was awarded earlier than anticipated. This variance will be resolved in the fourth quarter.

91 Express Lanes Program



	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 43,580	$ 43,507	$ (73)	-0.2%
Expenses	16,710	12,485	4,225	25.3%
Net Operating	$ 26,870	$ 31,022		
Capital				
Revenue	1,023	303	(719)	-70.4%
Expenses	1,023	303	719	70.4%
Net Capital	$ -	$ -		

Operating Revenue: The 91 Express Lanes operating revenue underran the budget by $0.1 million due to offsetting factors.

Revenue from tolls underran the budget by $2.6 million through the third quarter due to lower actual toll revenue than forecasted projections from the 91 Express Lanes consultant. OCTA contracts with a consulting firm to project monthly traffic patterns and toll revenue for the express lanes. To be conservative, OCTA uses 95 percent of the monthly revenue projections for budgeting purposes. However, through the third quarter, toll revenue was below the forecasted budget.

The underrun in toll revenue was primarily offset by overruns in revenue from fees ($1.5 million) and interest on investments ($0.8 million). Fees such as toll violations and account minimum fees collected overran by $1.5 million due to the variable nature of this revenue source which can be difficult to forecast. The overrun of $0.8 million associated with interest earnings is due to both a higher cash balance than budgeted in the 91 Express Lanes Fund, and a more favorable interest rate environment.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by $4.2 million. The underrun is primarily due to the timing of the 6C protocol tolling infrastructure project ($1.4 million), services associated with the new back-office system project ($1 million), a lower than anticipated rate through the third quarter for the toll road operator contract ($0.6 million), and lower than anticipated utilization for account collection services ($0.5 million).

The 6C protocol tolling infrastructure project underran the budget by $1.4 million. The project, led by Riverside County Transportation Comission (RCTC), commenced later than anticipated in the FY. As a result, invoicing to OCTA for its portion of the project is underrunning the budget. Also, sales of new 6C protocol transponders and marketing for the transponders underran the budget. As a result, expenses for the project have been rebudgeted next FY.

An underrun of $1 million associated with the new back-office system project is due to contract execution timing for a contract task order, and invoice timing for the project management consultant contract.

An underrun of $0.6 million in the toll road operating contract is due to a lower than anticipated expense rate through the third quarter. This FY, a higher contracted expense rate with the toll road operator was expected to be negotiated and staff budgeted accordingly. However, based on ongoing negotiations through the third quarter, this has not occurred resulting in an underrun. A renegotiated contract is expected to occur in the fourth quarter, but a variance is likely to continue through the end of the FY.

An underrun of $0.5 million associated with account collection services is due to lower utilization than anticipated. This service is used on an as-needed basis and is difficult to forecast based on its variable nature.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by $0.7 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by $0.7 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, RCTC plans to invoice OCTA after the improvements are complete, which is anticipated to occur next FY. Accordingly, this item has been rebudgeted.

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	$ 4,756	$ 4,750	$ (6)	-0.1%
Expenses	4,756	4,228	528	11.1%
Net Operating	$ -	$ 522		

Operating Revenue: Operating revenue for the Motorist Services Program was aligned with the budget through the third quarter.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by $0.5 million. The underrun is associated with Freeway Service Patrol tow services under the Service Authority for Freeway Emergencies Program. For contracted tow services, invoices received were lower than anticipated. This variance is likely to continue for the remainder of the FY.

M2 Program

Revenue: M2 Program sales tax revenue underran the budget by $6.3 million through the third quarter. 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.

Mode	Budget	Actual	$ Variance	% Variance
Streets & Roads	111,206	73,498	37,708	33.9%
Freeways	83,424	47,084	36,340	43.6%
Debt Service	44,365	28,795	15,570	35.1%
Administration	8,818	5,862	2,956	33.5%
Transit	8,274	6,581	1,693	20.5%
Total	$ 256,086	$ 161,820	$ 94,267	36.8%

Expenses: M2 Program expenditures underran the budget by $94.3 million. Streets and Roads contributed $37.7 million to the underrun due to lower than anticipated project payment requests from cities and the county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Freeways contributed $36.3 million to the underrun, primarily due to right-of-way acquisition and support services for the I-405 Improvement Project. Debt Service underran $15.6 million due to the timing of debt service payments and the refinancing of existing debt. M2 Program administration expenses underran $3 million due to lower debt issuance services, advisor fees, federal compliance advisory services, and M2 technical support staff services through the third quarter than anticipated during the budget development. Transit contributed $1.7 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.