



**October 23, 2019**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Fiscal Year 2018-19 Fourth 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 fourth 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 four amendments for the FY, increasing the expense budget by \$133.2 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
4/22/2019	Installation of Video Surveillance System at Bus Bases	452
	<i>Subtotal Amendments</i>	133,231
	<b>Total Working Budget</b>	<b>\$ 1,439,092</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 \$6.3 million. This underrun is primarily driven by vacancies. However, based on the Governmental Accounting Standards Board Statement Number 68 report provided by the Orange County Employees Retirement System, which requires that pension liability be recorded, OCTA recorded a liability adjustment. The net impact of this adjustment created an overrun of \$0.9 million in salaries and benefits.

Table 2 below provides a snapshot of actuals for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget through the fourth quarter.

**Table 2 - Fiscal Year 2019 LTA and LTF Sales Tax Revenue**

	Budget	Actual	\$ Variance	% Variance
LTA	\$ 328,555,671	\$ 328,810,968	\$ 255,297	0.08%
LTF	\$ 168,674,043	\$ 173,403,598	\$ 4,729,555	2.80%

Growth in LTA M2 Program sales tax was 3.38 percent in comparison to the budgeted growth rate of 3.7 percent. Growth in LTF Bus Program sales tax was 3.75 percent in comparison to the budgeted growth rate of 3.1 percent.

Bus Program operating revenue overran the budget by \$55.9 million, primarily due to an overrun of \$28.5 million from federal operating assistance funds for preventative maintenance and paratransit service. The funds received in the current FY were for prior FY expenditures. Also contributing to the overrun was

greater earnings on investments (\$10.9 million), higher sales tax revenue (\$4.7 million), and state operating assistance funds (\$5.3 million). Bus Program operating expenses underran by \$4.7 million, primarily due to contracted fixed-route service. For this service, penalties assessed primarily for missed trips reduced expenses incurred. Lower than anticipated claims for public liability and property damage also contributed to the underrun. The Bus Program finished the FY with an operating surplus of \$18.1 million.

Bus Program capital revenue underran by \$6 million primarily due to federal capital assistance grant funds in the amount of \$5.4 million. The federal funds, which are used to support major rehabilitation and new construction projects at the bus and maintenance bases, are anticipated to be reimbursed in the upcoming FY based on corresponding expenditures. Once the expenditures have been incurred, the capital grant funds can be sought for reimbursement. Capital expenses underran the budget by \$6 million primarily due to the replacement of the iShuttle service buses (\$3 million), engineering of the Transit Security and Operations Center project (\$1.7 million), and project timing for rehabilitation projects at the bus bases (\$1.3 million). The purchase for the replacement of iShuttle buses was moved to the FY 2019-20 budget after it was determined between OCTA and the City of Irvine that larger buses should be purchased in place of the smaller size due to anticipated passenger demand. Engineering of the Transit Security and Operations Center project began later than anticipated due to coordination efforts with the City of Anaheim on the conceptual design. Rehabilitation projects at the bus bases commenced later than anticipated in the FY based on contract execution timing.

The Rail Program finished the FY with a surplus of \$10.6 million. Rail Program operating revenue underran by \$4.2 million primarily due to federal operating assistance funds which were not received due to the corresponding expenses being lower than budgeted in the current FY for the Laguna Niguel/San Juan Capistrano Passing Siding project. Once expenditures occur next FY, the grant funds can be sought for reimbursement. Operating expenses underran by \$4.2 million, primarily due to the operating subsidy payment to Southern California Regional Rail Authority 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 anticipated. Also contributing to the underrun is a \$1 million variance associated with on-call design review services for the design phase of the Placentia Metrolink Station project.

Rail Program capital revenue underran by \$31.2 million primarily due to grant funds for the construction phase of the Laguna Niguel/San Juan Capistrano Passing Siding project (\$15.2 million). Expenses must be incurred before grant revenue can be sought. Once eligible expenditures take place, staff will seek grant reimbursement. Also contributing to the underrun was support funds from the 91 Express Lanes Program for the Placentia Metrolink Station

project (\$14.3 million). The supporting funds are based on expenditures as necessary for the project which were not needed this FY. Capital expenses underran the budget by \$41.8 million, primarily due to construction of the Placentia Metrolink Station (\$23.8 million) and the Laguna Niguel/San Juan Capistrano Passing Siding project (\$6.1 million). Due to negotiations associated with the rail right-of-way for the Placentia Metrolink Station project, the construction bidding process was moved to the following FY. The Laguna Niguel/San Juan Capistrano Passing Siding project underran due to an agreement to modify the invoicing methodology. Another contribution to the underrun was project savings on the construction phase of the Orange Transportation Center parking structure (\$5.4 million).

The 91 Express Lanes Program operating revenue underran by \$2.8 million, primarily due to lower than projected toll revenue received for the FY. OCTA contracts with a consulting firm to forecast the toll revenue each FY, and though traffic volumes exceeded the forecast, the revenue per vehicle trip was below those projections. The underrun was partially offset by overruns in fees collected for toll violations and account minimums, both of which are variable in nature. Operating expenses underran by \$19.6 million, primarily due to a \$14.3 million contribution to the Rail Program for the Placentia Metrolink Station project which did not take place as anticipated. The timing of the tolling infrastructure project to support new 6C protocol transponders contributed \$3 million to the underrun, as well as a \$1.5 million underrun for California Highway Patrol services due to an anticipated invoice for expenses from prior FYs which did not occur.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by \$6.4 million primarily associated with contract execution timing for a new back office software system. At the time of budget development, staff planned for a vendor procurement by the end of the FY for development and implementation of the new system. However, due to the complexity of the proposed system, contract execution is now anticipated next FY. Due to the underrun in capital expenses, less capital revenue was utilized.

Motorist Services Program operating revenue overran by \$0.7 million. This is primarily due to higher than anticipated formula funds provided through the Road Repair and Accountability Act. 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. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated. The Motorist Services Program finished the FY with a surplus of \$1.2 million.

Expenses for the M2 Program underran the budget by \$191.1 million, primarily due to lower than anticipated right-of-way acquisition and right-of-way support services in the FY for the Interstate 405 Improvement Project and Interstate 5 South County Improvement Project. Streets and Roads expenses contributed

to the underrun due to payment requests from the cities and the county for the Regional Capacity and Regional Traffic Signal Synchronization programs which were lower than anticipated. These payment requests are variable in nature depending on the local jurisdiction's project completion. Transit expenses underran by \$6.5 million due to lower payments to cities under the community-based transit and circulators program. Payments to cities are variable in nature depending on utilization.

### ***Summary***

For FY 2018-19, OCTA operated within the budget parameters approved by the Board for all major programs. Sales tax revenue for both LTA and LTF finished higher than the budget, with LTA actual growth of 3.38 percent compared to the budgeted growth of 3.7 percent and LTF actual growth of 3.75 percent compared to the budgeted growth of 3.1 percent. Bus Program operating expenses underran the budget, and combined with higher than expected revenues, resulting in the Bus Program finishing the FY with an operating surplus of \$18.1 million. Bus Program capital revenues and expenditures generally underran the budget based on the timing of expenditures. The Rail program finished the FY with a surplus of \$10.6 million, primarily due to a prior year operating credit, as well as the timing and cost savings pertaining to capital expenditures. The 91 Express Lanes had a slight underrun in operating revenue, which was offset by underruns derived from the timing of contributions. The Motorist Services Program received more revenue than budgeted along with lower than anticipated expenses, which produced a \$1.2 million surplus. M2 Program expenses underran the budget primarily based on the timing of projects.

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***Attachment***

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

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