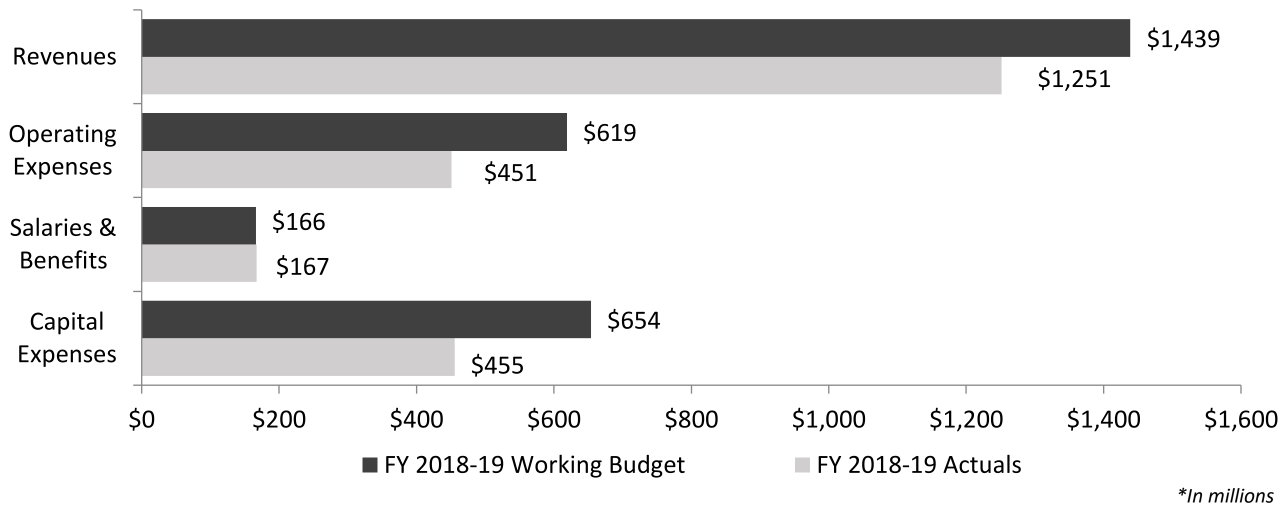
Quarterly Budget Status Report

Fourth 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 fourth quarter, 1,287 of these positions were filled, representing a vacancy rate of 4.9 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639	626	13	2.0%
Maintenance	171	151	20	11.7%
TCU	37	37	-	0.0%
Union Subtotal	847	814	33	3.9%
Bus Operations Support	165.5	156.5	9	5.4%
Other Administrative	340.5	316.5	24	7.0%
Administrative Subtotal	506	473	33	6.5%
Total OCTA	1,353	1,287	66	4.9%

TOTAL SALARIES AND BENEFITS

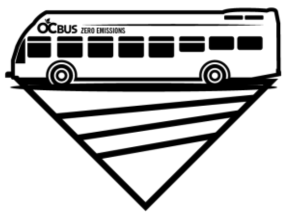
Total salaries and benefits of $167.1 million were $0.9 million higher than the budget of $166.2 million. However, this $0.9 million overrun is the result of a $6.3 million underrun in salaries and benefits, driven by vacancies, and the recording of a pension liability adjustment. Based on the Governmental Accounting Standards Board Statement Number 68 report provided by the Orange County Employees Retirement System, which requires that pension liability be recorded, the Orange County Transportation Authority (OCTA) recorded a liability adjustment.

	Budget	Actual	$ Variance	% Variance
Bus Program	$ 107,777	$ 112,131	$ (4,354)	-4.0%
General Fund	58,432	54,947	3,485	6.0%
Total	$ 166,209	$ 167,077	$ (868)	-0.5%

Program Variances

Year-to-date material variances are listed on the following pages by program. All dollar amounts in tables are shown in thousands.

Bus Program



	Budget		Actual		$ Variance	% Variance
Operating						
Revenue	$	305,382	$	360,861	$ 55,479	18.2%
Expenses		305,382		300,698	4,684	1.5%
Net Operating	$	-	$	60,164		
Capital						
Revenue		61,478		55,480	(5,998)	-9.8%
Expenses		61,478		55,480	5,998	9.8%
Net Capital	$	-	$	-		

The Bus Program finished with net operating actuals of $60.2 million. The timing of revenues and expenses account for $42.1 million, resulting in an operating surplus of $18.1 million.

Operating Revenue: Operating revenue for the Bus Program overran the budget by $55.5 million primarily due to higher than anticipated federal operating assistance funds ($28.5 million), earnings on investments ($10.9 million), state transit operating assistance funds ($5.3 million), and sales tax revenue ($4.7 million).

The overrun of $28.5 million for federal operating assistance revenue is associated with preventative maintenance on the bus fleet, as well as paratransit operating assistance. The funds received were prior FY grant funds received in the current FY.

Earnings on investments overran by $10.9 million, primarily due to higher than anticipated investment performance. This is the result of a more favorable interest earnings rate than anticipated. The budgeted interest earnings for the FY was 1.5 percent, the actual interest earnings were approximately 3.8 percent.

State transit operating assistance funds overran by $5.3 million, primarily due to the timing of allocation estimates and revisions from the California State Controller. The amount budgeted was based on the allocation estimates provided by the Controller's office in January 2018. However, based on higher than anticipated gas tax revenue, the allocation to OCTA was revised after the adoption of the FY budget.

Sales tax revenue overran by $4.7 million due to larger receipt of Local Transportation Fund sales tax than anticipated during budget development. The growth in sales tax was 3.75 percent for the FY compared to the budgeted growth rate of 3.1 percent.

Operating Expenses: The $4.7 million underrun in Bus Program operating expenses was primarily the result of underruns in contracted fixed-route service ($3.5 million), public liability and property damage insurance claims ($2.2 million), Enhanced Mobility for Seniors and Disabled (EMSD) Grant Program ($1.3 million), and as-needed repairs, supplies, and maintenance ($1 million).

Contracted fixed-route service underran by $3.5 million, primarily due to the penalties imposed. The contractor was assessed financial penalties due to missed trips.

Public liability and property damage insurance costs underran by $2.2 million due to lower than anticipated claims which the amount and magnitude are variable in nature.

The EMSD Grant Program is contributing $1.3 million to the underrun due to lower than anticipated grant applications by local agencies in the FY.

Capital Revenue: Capital revenue underran the budget by $6 million, primarily due to the timing of 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. Projects such as heating/ventilation unit replacement, new steam clean bus hoists, and roofing replacement began in the fourth quarter and have not incurred significant expenditures. Once these expenditures have been incurred, the capital grant funds can be sought for reimbursement.

Capital Expenses: Capital expenses underran the budget by $6 million, due to expenses associated with the purchase of iShuttle buses ($3 million), Transit Security and Operations Center project ($1.7 million), and multiple projects at bus bases across Orange County ($1.2 million).

The underrun of $3 million for iShuttle buses was due to a revision in the plan regarding the type of buses that would be procured. Originally, the City of Irvine and OCTA agreed on 32-foot gasoline buses, however upon further review it was determined that 40-foot compressed natural gas buses would be more appropriate to meet expected passenger demand. Due to this revision, additional time is required. This item has been rebudgeted in the following FY.

The underrun of $1.7 million for the Transit Security and Operations Center project was due to extended initial design phase review requested by the City of Anaheim, where the project will be built. This caused expenses for the next design phase to be less than anticipated, and they have been rebudgeted in the following FY.

The remaining $1.2 million underrun was primarily due to less than anticipated expenses for multiple bus base projects and transportation centers across Orange County. Most of the underrun resulted from contract execution timing which occurred later than anticipated. The expenses have been rebudgeted in the following FY.

Rail Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 39,461	$ 35,287	$ (4,174)	-10.6%
Expenses	39,461	35,259	4,202	10.6%
Net Operating	$ -	$ 29		
Capital				
Revenue	61,473	30,293	(31,180)	-50.7%
Expenses	61,473	19,688	41,785	68.0%
Net Capital	$ -	$ 10,606		

The Rail Program finished the FY with a surplus of $10.6 million

Operating Revenue: Rail Program operating revenue underran by $4.2 million, primarily due to federal operating assistance funds which were not received due to the corresponding expenditures being lower 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: Rail Program operating expenses underran the budget by $4.2 million.

The underrun is primarily associated with a $3.5 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 was due to a credit received in the current FY due to prior FY expenses finishing lower than originally anticipated.

Also contributing to the variance was a $1 million underrun associated with on-call design review services for the design phase of the Placentia Metrolink Station Project. The underrun was 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.

Capital Revenue: The $31.2 million underrun in Rail Program capital revenue can be attributed 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, however in the FY the funds were not needed.

Capital Expenses: Rail Program capital expenses underran the budget by $41.8 million, primarily due to construction projects at Metrolink stations.

Construction expenses for the Placentia Metrolink Station Project contributed $23.8 million to the underrun. A BNSF maintenance agreement and approvals for leasing of their right-of-way in the project area required more time than was originally anticipated. As a result, an invitation for bids for construction of the project is planned next FY.

Construction for the Laguna Niguel/San Juan Capistrano Passing Siding Project contributed $6.1 million to the underrun. During budget development, it was anticipated OCTA would provide funds upfront to SCRRA for construction of the project. However, it was decided between the two parties that OCTA would make federal grant funds available to SCRRA as a direct drawdown for construction. Also, construction management services and utility relocation work began later than anticipated based on the timing of construction resulting in the underrun for these services. These items have been rebudgeted accordingly next FY.

Construction expenses for the Orange Transportation Center Parking Structure Project contributed $5.4 million to the underrun. Construction funds of $7.1 million were budgeted in the FY, however not all the funds were needed to complete the project.

Right-of-way and construction management expenses for the Anaheim Canyon Metrolink Station Project contributed $3.8 million to the underrun in the FY. Right-of-way expenses were budgeted at $2 million for the possible relocation of two driveways in the project area, however due to design adjustments these driveways did not need to be acquired. Construction management expenses underran by $1.8 million based on the timing of design phase completion. As a result of updated design plans, the construction management budget was not utilized. This has been rebudgeted next FY.

91 Express Lanes Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 40,901	$ 38,104	$ (2,797)	-6.8%
Expenses	40,901	21,290	19,611	47.9%
Net Operating	$ -	$ 16,814		
Capital				
Revenue	34,649	28,250	(6,399)	-18.5%
Expenses	34,649	28,250	6,399	18.5%
Net Capital	$ -	$ -		

Operating Revenue: The 91 Express Lanes operating revenue underran by $2.8 million due to offsetting factors.

Revenue from tolls underran the budget by $3.5 million due to lower toll revenue than forecasted. OCTA contracts with a consulting firm to forecast monthly traffic patterns and toll revenue for the express lanes. To be conservative, staff uses 95 percent of the monthly revenue projections for budgeting purposes. However, though traffic volume exceeded the forecast, this FY revenue was below the forecasted budget based on lower toll revenue per vehicle trip. staff has taken a more conservative approach in the next FY budget, utilizing 90 percent of the consultant's revenue projection.

The underrun in toll revenue was partially offset by overruns in revenue from fees. Fees such as toll violations and account minimum fees collected overran due to the variable nature of this revenue source which can be difficult to forecast.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by $19.6 million. The underrun was primarily due to a contribution for the Placentia Metrolink Station Project ($14.3 million), the timing of the 6C protocol tolling infrastructure project ($3 million), and California Highway Patrol (CHP) services ($1.5 million).

The underrun of $14.3 million for the Placentia Metrolink Station Project was the result of the timing of expenses for the project. The FY budget included a contribution of funds to support the project, however, due to timing of the project expenses, the contribution was not necessary this FY. This has been rebudgeted the following FY.

The 6C protocol tolling infrastructure project underran the budget by $3 million. The project, led by Riverside County Transportation Commission, commenced later than anticipated in the FY. As a result, invoicing to OCTA for its portion of the project underran 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.

CHP services for roadway enforcement on the 91 Express Lanes underran by $1.5 million due to an adjustment made to prior FY expenses. This FY, the vendor informed Staff they were unable to provide documentation to support their invoice charges and would therefore not be submitting the anticipated invoice.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by $6.4 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by $6.4 million. At the time of budget development, staff planned for a vendor procurement by the end of the FY for development and implementation of the system. However due to the complexity of the proposed system, contract execution did not occur in the FY but is anticipated early in the following FY. This expense has been rebudgeted.

Motorist Services Program

	Budget	Actual	$ Variance	% Variance
Operating				
Revenue	$ 8,763	$ 9,439	$ 676	7.7%
Expenses	8,763	8,248	515	5.9%
Net Operating	$ -	$ 1,191		

The Motorist Services Program finished the FY with a surplus of $1.2 million.

Operating Revenue: Operating revenue for the Motorist Services Program overran the budget by $0.7 million. This is primarily due to higher than anticipated formula funds provided through the Road Repair and Accountability Act (RRAA). At the time of budget development, it was unclear whether RRAA would get repealed, and to be conservative, staff did not budget to receive the funds. Once voters approved to keep the RRAA in place, OCTA received the formula funds resulting in the overrun.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by $0.5 million. The underrun is associated with lower than anticipated fuel cost for contracted tow services.

M2 Program

Revenue: M2 Program sales tax revenue overran the budget by $0.3 million due to larger sales tax receipts than anticipated during budget development. The growth in sales tax was 3.38 percent for the FY compared to the budgeted growth rate of 3.7 percent. However, due to the previous FY sales tax revenue ending higher than anticipated, the base for the growth was higher, resulting in the revenue overrun.

Mode	Budget	Actual	$ Variance	% Variance
Freeways	334,139	233,222	100,917	30.2%
Streets & Roads	170,386	104,438	65,947	38.7%
Debt Service	44,365	28,795	15,570	35.1%
Transit	16,577	10,089	6,488	39.1%
Administration	10,667	8,465	2,201	20.6%
Total	$ 576,133	$ 385,009	$ 191,124	33.2%

Expenses: M2 Program expenditures underran the budget by $191.1 million. Freeways contributed the majority of the underrun, with a variance of $100.9 million. This was primarily due to right-of-way acquisition and support services for the I-405 Improvement Project and the I-5 South County Improvement Project. Per cooperative agreements with the California Department of Transportation, or at the direction of the court in the case of right-of-way condemnation, staff budgets each FY in the event all remaining parcels for a project will be acquired. However, the process of acquiring parcels can be lengthy and the expenses are not recognized until the final amounts have been agreed upon by all parties. Streets and Roads contributed $65.9 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. Debt Service underran $15.6 million due to the refinancing of existing debt. During budget development, debt service payments were anticipated with the issuance of new M2 Program debt. However, based on the issuance occurring in the second half of the FY, no debt service payments were due until the following FY. 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.