



November 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 91 Express Lanes Update for the Period Ending September 30, 2019

Overview

The Orange County Transportation Authority has owned and managed the operations of the 91 Express Lanes since January 2003. Since that time, traffic volumes and toll revenues have fluctuated with the changes in the economy and the additional capacity added to the State Route 91 corridor. Over the last quarter, there have been approximately 4.6 million trips taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the period ending September 30, 2019.

Recommendation

Receive and file as an information item.

Background

Since January 2003, the Orange County Transportation Authority (OCTA) has owned the 91 Express Lanes (91 EL), which is a two-lane managed-lane facility in each direction in the median of the State Route 91 (SR-91) freeway. Over the past 16 years, OCTA has experienced the upticks and downturns of the economy and the resulting impacts to the 91 EL. During OCTA ownership, toll rates have been adjusted up and down, additional capacity has been added to the general-purpose lanes in the SR-91 corridor through various improvement projects, the outstanding debt has been restructured, and an extension of the facility was completed by the Riverside County Transportation Commission (RCTC). Traffic volumes and toll revenues are at historic high levels.

Discussion

The 91 EL continued to perform well during the period ending September 30, 2019. Traffic volumes, toll revenues, new accounts, transponder

distributions, and account balances all increased when compared to the same period last year. The continued growth in the national and local economies, along with the opening of the Riverside County extension of the 91 EL by the RCTC, continue to fuel the increases in traffic volumes and toll revenues in Orange County.

Traffic Volumes

Total traffic volume on the OCTA 91 EL for the month of September 2019, was 1,477,257. This represents a daily average of 49,253. This is a 4.2 percent increase in total traffic volume from the same period last year when traffic levels totaled 1,417,450. Carpool percentage for the period ending September was 25.9 percent. In looking at the quarter-ending period of September 2019, traffic volumes registered 4.6 million, which was an increase of 2.36 percent over the same period the prior year. For the 12-month period ending September 2019, traffic volumes reached 17.6 million and increased by 3.6 percent over the same period the prior year.

The growth in the last quarter, as well as the past 12 months, in traffic volumes can be attributed to two factors. First, is the opening of the RCTC extension of the 91 EL into Riverside County. Since the extension opened in 2017, traffic volumes in the westbound direction of the Orange County segment continue to show strong growth. The second factor is the continued growth in the local regional economy. Unemployment in the region remains low and jobs continue to be created in Orange and Riverside Counties.

Gross Potential Toll Revenues

Gross potential toll revenue (GPTR) for the month of September 2019 was \$4,440,347, which represents an increase of 6.5 percent from the prior year's total of \$4,169,154. GPTR is equal to the toll rate times the number vehicles traveling on the 91 EL (the amount does not consider violations or discounts). In looking at the previous 12 months, GPTR totaled \$52.2 million and increased by 3.4 percent over the same period the prior year.

Toll Adjustments

The Board of Directors (Board)-adopted Toll Policy requires staff to review traffic volumes on the Orange County segment of the 91 EL for potential toll adjustments on a quarterly basis. The most recent toll adjustment occurred on July 1, 2019, whereby four shoulder hours incurred a toll increase and one peak period hour experienced a toll decrease. For the increases, toll rates changed by \$0.75 and for the hour that was reduced, the rate declined by \$0.50.

In addition to the volume-based adjustments, the Toll Policy requires an annual toll adjustment for inflation every July 1st. On July 1, 2019, all non-super peak and super peak tolls which had not been adjusted in the previous 12 months were adjusted by an inflation factor of two percent, rounded up or down to the nearest 5-cent increment. As of the end of September 2019, toll rates ranged from a minimum of \$1.70 to a maximum of \$9.15. The next scheduled toll adjustment will occur on October 1, 2019.

Number of Accounts and Transponders

The number of active accounts totaled 149,806, and 228,436 transponders were assigned to those accounts as of September 30, 2019. Over the past 12 months, the number of accounts has increased by 6,505, and the number of transponders in circulation has increased by 10,300.

Outstanding Debt

During the month of August 2019, a debt service payment for principal was made to toll road investors in the amount of \$6.1 million. As of September 30, 2019, the outstanding amount of the 91 EL tax-exempt 2013 Senior Lien Toll Road Revenue Refunding Bonds (Bonds) totaled \$91.7 million. The Bonds are rated "AA-" by Standard and Poor's, "A1" by Moody's, and "A+" by Fitch Ratings. The next scheduled debt service payment is on February 15, 2020. There are currently no plans to issue additional debt secured by 91 EL toll revenues.

Reserve Funds

The bond indenture for the 2013 Bonds requires three reserve funds: a major maintenance fund, an operating fund, and a debt service reserve fund. All three reserve funds are fully funded with a total balance of \$24.8 million as of September 30, 2019.

In addition to the required debt reserve funds, OCTA's Board elected to establish two additional reserve funds. An internal capital projects fund has a balance of \$25.6 million and is used for large capital projects for the 91 EL. In the past, these funds were used for the 91 EL Pavement Rehabilitation Project. The other reserve fund was established in 2017 for two future Measure M2 projects in the SR-91 corridor. The balance in that reserve fund is \$56.2 million. Lastly, OCTA has approximately \$96.7 million set aside in excess toll revenues for various other SR-91 corridor projects.

Recent Activities

Last year, OCTA entered into an agreement with Kapsch TrafficCom USA, Inc. (Kapsch), to provide toll lane system integrator services for the design, installation, operations, and maintenance of the electronic toll and traffic management system for the 91 Express Lanes. This lane system is able to read the 6C protocol transponders, as well as the previous Title 21 protocol transponders. OCTA completed installation of the lane system on the westbound gantries during a 55-hour closure on the weekend of August 23rd. The eastbound lane system installation was completed during the weekend of October 4th, which was subsequent to the ending of the September 2019 reporting period.

Upcoming Events

Over the next few months, several events will be transpiring related to the 91 EL. In November 2019, staff will request that the Board select a provider for the back-office system/customer service center operations. The staff recommendation for the selected provider will also go to the RCTC Board for approval in November 2019. If approved by both Boards, OCTA, RCTC, and the selected provider will enter into a three-party agreement to provide operating services for the 91 EL in Orange and Riverside Counties.

With the completion of the Kapsch toll lane system upgrade in Orange and Riverside Counties, the back-office system will be modified in order to process the new 6C transponders and changes to the Board-approved customer account plans. Distribution of the new 6C transponders to customers will begin after the back-office system changes have been made, which is expected in December 2019. OCTA and RCTC have prepared a series of customer communications to be provided to customers to facilitate the transition to the new 6C transponders and changes to the account plans.

Summary

During the period ending September 30, 2019, the 91 Express Lanes continued to perform well and exceeded expectations. This report provides a summary of key operational and financial activities.

Attachment

A. 91 Express Lanes Status Report, September 2019

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