

# Reserve Policy

# Policy Goal

- Formalize existing reserve policy for programs operated by the Orange County Transportation Authority (OCTA)
- Provide clarity and transparency as to the types of reserves maintained by, and required of, the OCTA
- Continue practice of preparing for future economic recessions during periods of economic growth

# Background

- OCTA has a history of maintaining reserves
- Reserve targets historically implemented through the Comprehensive Business Plan
- Reserves also required from bond and loan indentures
- Three OCTA programs would be included in the policy
  - Bus, 91 Express Lanes, and Motorist Services programs

# Bus Program Reserve Policy

- History of both operating and capital reserves
  - 45-day operating reserve (\$37.9 million)
  - Capital replacement fund for capital expenditures
  - Reserves fully funded
- Recommend increasing operating reserve to 60 days (\$50.5 million )
  - Provides additional protection against future economic uncertainty
  - Recommended by the Government Finance Officers Association
  - Can be accommodated financially
- Program has no outstanding debt

# 91 Express Lanes Reserve Policy

- History of capital and debt related reserves
- Two Board of Directors-approved capital reserves maintained
  - Fully funded capital replacement fund for the express lanes
  - Excess revenue fund for future 91 corridor projects
    - Placentia Metrolink Station (\$14.3 million)
    - 91 freeway projects (\$56 million)
- Three indenture required reserves maintained
  - Debt Service Reserve Fund (\$10.8 million)
  - Operating Reserve (\$3 million)
  - Capital Reserve (\$10 million)

# Motorist Services Program Reserve Policy

- History of an operating reserve
  - 60-day operating reserve (\$1.4 million)
  - Supports unforeseen impacts to revenue and expenditures
  - Accommodates fluctuations in timing for revenue reimbursement
  - Reserve fully funded
- No need for a capital reserve
  - Small capital program can be accommodated without a reserve
- Program has no outstanding debt

# Future Reserves

- 405 Express Lanes
  - Potential operating and capital reserve accounts
  - Three debt-related reserves: debt service, operations and maintenance and major maintenance
- OC Streetcar
  - Potential operating and capital reserve accounts
  - Program will have no outstanding debt

# Recommendations

- Adopt Reserve Policy recommendations for the Bus, 91 Express Lanes, and Motorist Services programs
- Incorporate the Reserve Policy into current and future financial plans



# Next Steps

- Maintain reserve targets for the 91 Express Lanes and Motorist Services programs
- Increase operating reserve target to 60-days and maintain capital reserve target for the Bus Program
- Incorporate Reserve Policy into the Comprehensive Business Plan
- Future updates would be brought to the Board of Directors