



January 8, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2019-20 First Quarter Budget Status Report

Y. Gennetti Ruzza for

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2019-20 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2019-20.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2019-20 Budget on June 10, 2019. 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 \$1.525 billion. Sources of funds were comprised of \$1.16 billion in current FY revenues and \$365.4 million in use of prior year designations. Uses of funds were comprised of \$1.44 billion of current FY expenditures and \$82.7 million of designations.

The Board approved one amendment in the first quarter, increasing the expense budget by \$4.5 million. This increased the budget to \$1.53 billion as summarized on Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2019	Adopted Budget	\$ 1,525,194
7/22/2019	Contracted Fixed-route Service Agreement	4,521
	<i>Subtotal Amendments</i>	<i>4,521</i>
	Total Working Budget	\$ 1,529,715

*in thousands

Discussion

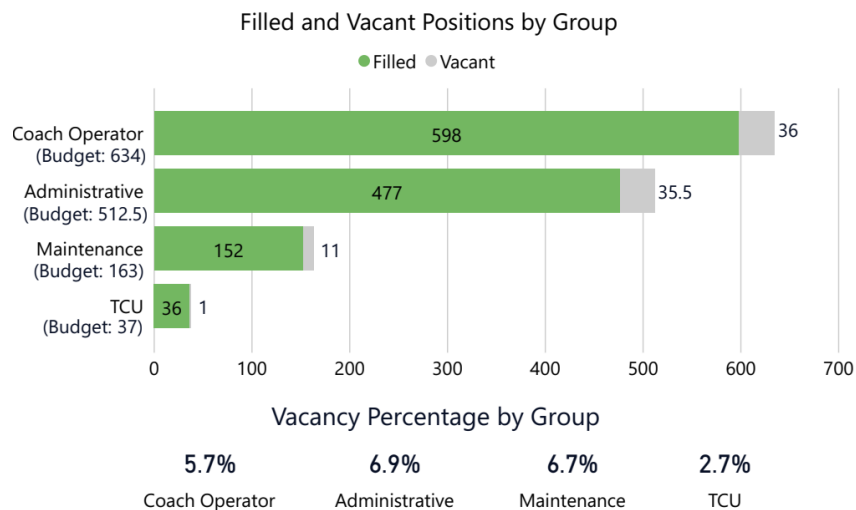
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within 5 percent variance of budget
- Red – Over 5 percent variance of budget

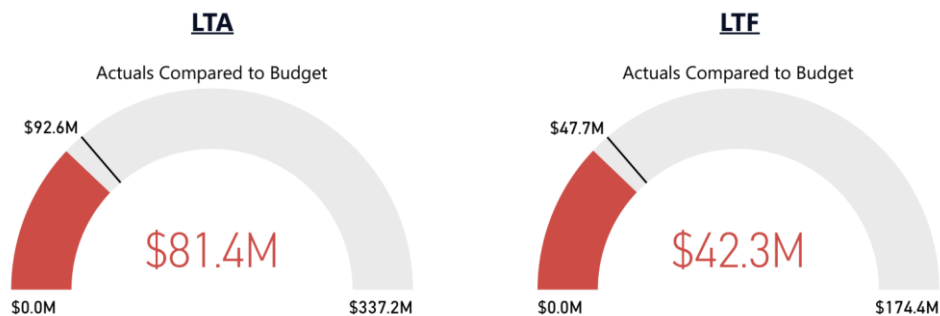
Staffing

Total salaries and benefits underran the budget by \$1 million. This is primarily due to vacancies OCTA-wide, with the largest vacancy percentages in the Administrative (6.9 percent) and Maintenance (6.7 percent) groups at the end of the quarter.



Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of \$81.4 million were \$11.2 million lower than the budget. LTF sales tax receipts of \$42.3 million were \$5.4 million lower than the budget. Staff is working with MuniServices, Limited Liability Corporation, OCTA's sales tax consultant, to determine if this underrun is material or simply a timing issue of receipts from California Department of Tax and Fee Administration.



Major Programs

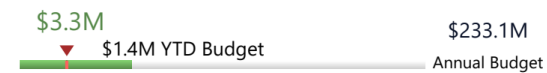


Bus Program



Bus Program operating revenue of \$58 million underran the budget by \$4.3 million, primarily due to lower than anticipated LTF sales tax revenue. Bus Program operating expenses of \$57.5 million underran the budget by \$2.1 million, primarily due to fuel costs (\$0.8 million). Compressed natural gas fuel underran due to a lower unit cost than anticipated, and hydrogen fuel and gasoline underran due to lower miles driven than anticipated. Hydrogen fuel is used in 11 buses which were all anticipated to be in service beginning in July 2019; however, three of the buses did not begin service until October 2019 due to the hydrogen fueling station not being fully operational until late in the first quarter. Gasoline is used for ACCESS, the on-demand paratransit service, and

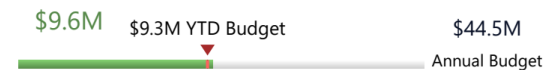
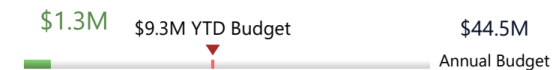
less miles were driven than forecast for the first quarter. Also contributing to the underrun was \$0.2 million for OC Flex service due to technical difficulties with the contractor's data system resulting in invoicing in arrears by two months. This is anticipated to be resolved in the following quarter, and billing is anticipated to be back on schedule. An underrun of \$0.2 million for security services was the result of a year-end credit from the Orange County Sheriff's Department for position vacancies in a prior FY. A \$0.2 million underrun for the on-board video surveillance system project was the result of invoice timing. Invoices anticipated to be paid in the first quarter were paid early in the second quarter. The remainder of the underrun for operating expenses was the result of less as-needed expenses than anticipated for the first quarter. These include items like shop supplies, minor repairs, and maintenance on the bus fleet.

Capital Revenue**Capital Expense**

Bus Program capital revenue of \$3.3 million overran the budget by \$1.9 million, primarily due to prior FY state grant revenue received in the current FY for the purchase of ten hydrogen fuel cell electric buses. California Air Resources Board grant revenue associated with the bus purchase was budgeted in a prior FY but received in the current FY based on corresponding expenditures. Capital expenses of \$1.4 million were in line with the budgeted amount.



Rail Program

Operating Revenue**Operating Expense**

Rail Program operating revenue of \$9.6 million overran the budget by \$0.3 million primarily due to higher than anticipated earnings on investments. Operating expenses of \$1.3 million underran by \$8 million, primarily due to the quarterly operating subsidy payment to Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operations. This \$7.4 million underrun is the result of ongoing negotiations for the funding agreement, and once executed, the underrun is anticipated to be resolved. The remainder of the operating expense underrun is associated with on-call project management support services for multiple projects within the Rail Program.

Capital Revenue

\$0.1M
 ▼ \$0.1M YTD Budget
 \$43.6M
 Annual Budget

Capital Expense

\$0.0M
 ▼ \$0.1M YTD Budget
 \$43.6M
 Annual Budget

Actual capital revenue and expenses for the Rail Program were less than \$0.1 million, respectively, and in line with budgeted expectations. Contracts for larger capital projects such as construction of the Anaheim Canyon Metrolink Station project and the Placentia Metrolink Station project are anticipated later in the FY, increasing both capital revenue and expense activity.



91 Express Lanes Program

Operating Revenue

\$15.9M
 \$15.0M YTD Budget
 ▼
 \$78.1M
 Annual Budget

Operating Expense

\$3.7M
 \$5M YTD Budget
 ▼
 \$78.1M
 Annual Budget

The 91 Express Lanes Program operating revenue of \$15.9 million overran by \$0.9 million, primarily due to fees collected for toll violations and account minimums. Revenue from these fees are variable in nature and therefore difficult to forecast. Operating expenses of \$3.7 million underran by \$1.3 million, primarily due to as-needed expenses associated with toll road account servicing, legal services, and equipment repair/maintenance.

Capital Revenue

\$0.1M
 ▼ \$0.1M YTD Budget
 \$38.1M
 Annual Budget

Capital Expense

\$0.1M
 ▼ \$0.1M YTD Budget
 \$38.1M
 Annual Budget

Capital revenue and expenses for the 91 Express Lanes Program of \$0.1 million respectively, were in line with budgeted expectations. Contracts for larger capital projects including the new Back Office System and Customer Service Center project will be executed later in the FY, increasing capital revenue and expense activity.



Motorist Services Program

Operating Revenue

\$1.6M

▼ \$1.3M YTD Budget

\$9.2M
Annual Budget

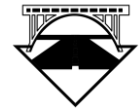
Operating Expense

\$1.2M

▼ \$1.3M YTD Budget

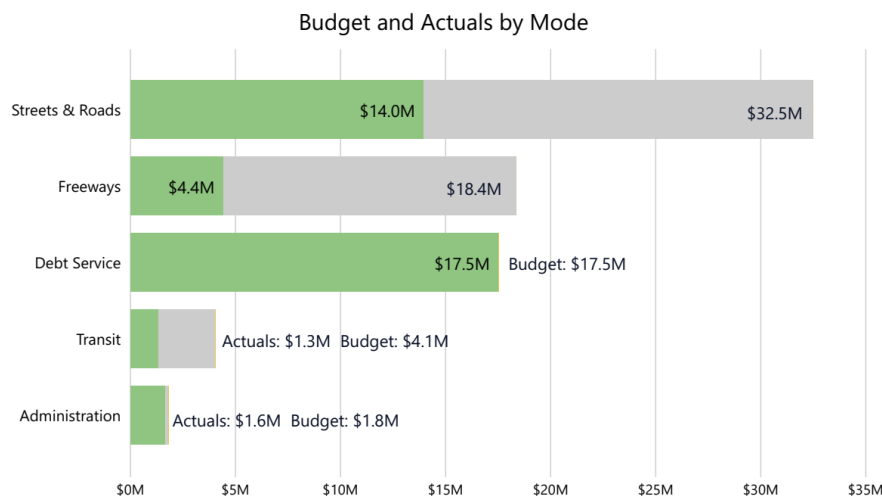
\$9.2M
Annual Budget

Motorist Services Program revenue of \$1.6 million overran the budget by \$0.3 million, primarily due to earlier than anticipated contribution from the cities for the Orange County Taxi Administration Program. This revenue was anticipated to be received evenly over the course of the FY, however cities are contributing their portions sooner. Expenses for the program of \$1.2 million underran the budget by \$0.1 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.

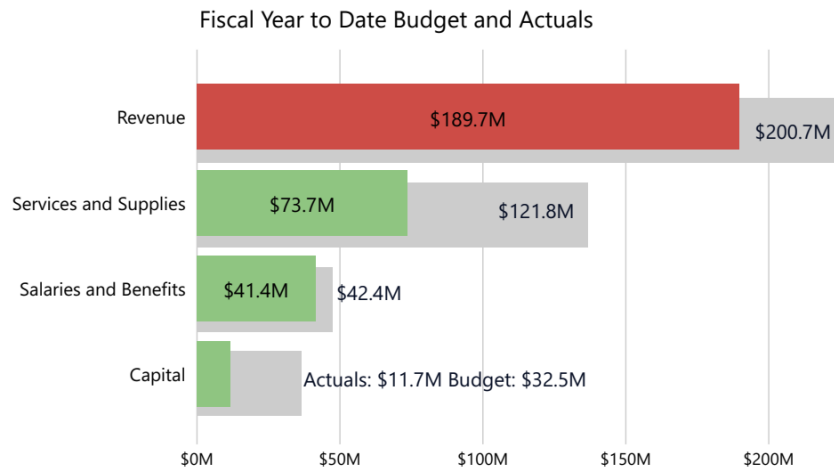


Measure M2 Program

Total expenses for the M2 Program of \$38.9 million underran the budget by \$35.3 million, primarily due to lower than anticipated project payment requests from the cities for the Regional Capacity Program, Regional Traffic Signal Synchronization Program, and Environmental Cleanup Program. Also contributing to the underrun is invoice timing for construction and construction support services for the Interstate 5 South County Improvement project and the Interstate 405 Improvement Project.



Summary



Overall, revenue of \$189.7 million underran the budget by \$11 million, primarily due to lower sales tax revenue for the M2 Program (\$11.2 million) and Bus Program (\$5.4 million). These underruns were partially offset by an overrun from grant revenue budgeted in a prior FY but received in the current FY for the purchase of hydrogen fuel cell electric buses. Services and supplies expenses of \$73.7 million underran the budget by \$48.1 million, primarily due to an underrun in the Metrolink operating subsidy and contributions to local agencies based on lower than anticipated project payment requests for Regional Capacity Program, Regional Traffic Signal Synchronization Program, Environmental Cleanup Program, and Community-based Transit/Circulator Program. Salaries and benefits of \$41.4 million underran the budget by \$1 million due to vacancies. Capital expenses of \$11.7 million underran the budget by \$20.8 million, primarily due to construction and construction support services for the Interstate 5 South County Improvement project and the Interstate 405 Improvement Project.

Attachment

A. FY 2019-20 First Quarter Budget Status Summary

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