



August 28, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 91 Express Lanes Quarterly Update for the Period Ending June 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, over 218 million trips have been taken on the 91 Express Lanes in Orange County. This report focuses on the operational and financial activities for the quarter ending June 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). This period also witnessed a shifting in travel patterns from 91 EL customers whereby more travelers elected to use the off-peak shoulder hours as opposed to the peak-period hours, and use the westbound lanes versus the eastbound lanes. Traffic volumes and toll revenues are at historic high levels.

Discussion

The 91 EL continued to perform well during the period ending June 30, 2019. Traffic volumes, toll revenues, new accounts, transponder distributions, and account balances all increased during the quarter when compared to the same period last year. The strong national and local economies, along with the opening of the Riverside County extension of the 91 EL by the RCTC, have fueled the growth in Orange County. The OCTA 91 EL growth continues to be driven by increased traffic volumes in the westbound direction.

Traffic Volumes

Total traffic volume on the OCTA 91 EL for the quarter ending June 2019 was 4,544,233. This represents a daily average of 49,937. This is a 3.1 percent increase in total traffic volume from the same period last year when traffic levels totaled 4,408,575. Carpool percentage for the quarter ending June was 28.9 percent. In looking at the 12-month period ending June 2019, traffic volumes reached 17.5 million and increased by 5.0 percent over the same period the prior year.

The growth in the last quarter, as well as the past 12 months, in traffic volumes has been largely attributed to the westbound direction. Since RCTC opened the 91 EL extension, OCTA's westbound traffic volumes have increased at a higher level than the eastbound direction. For the quarter ending June 2019, traffic volumes increased by 3.9 percent in the westbound direction and 2.2 percent in the eastbound direction over the same period in 2018. For the past 12 months, traffic volumes in the westbound direction have increased by 6.0 percent and eastbound volumes have increased by 4.0 percent when compared to the same period the prior year.

Gross Potential Toll Revenues

Gross potential toll revenue (GPTR) for the quarter ending June 2019 was \$13,212,109, which represents an increase of 2.0 percent from the prior year's total of \$12,947,601. GPTR is equal to the toll rate times the number of vehicles traveling on the 91 EL, (the amount does not consider violations or discounts). In looking at the previous 12-month totals, GPTR reached \$51.9 million and increased by 4.4 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 April 1, 2019, whereby one shoulder hour incurred a toll increase and four peak period hours experienced toll decreases. For the increase, the one hour increased by \$0.75 and for the peak period hours reduced, they declined by \$0.50. As of the end of June 2019, toll rates ranged from a minimum of \$1.65 to a maximum of \$9.15. The next scheduled toll adjustment will occur on July 1, 2019.

Number of Accounts and Transponders

The number of active accounts totaled 148,054, and 225,621 transponders were assigned to those accounts as of June 30, 2019. Over the past 12 months, the number of accounts has increased by 7,360, and the number of transponders in circulation has increased by 11,628.

Outstanding Debt

As of June 30, 2019, the outstanding amount of the 91 EL Tax-Exempt 2013 Senior Lien Toll Road Revenue Refunding Bonds (Bonds) totaled \$97.8 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 August 15, 2019. 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 funds are fully funded, with a total balance of \$25.9 million as of June 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 \$23.5 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 \$40.5 million. Lastly, OCTA has approximately \$95.7 million set aside in excess toll revenues for various other SR-91 corridor projects.

Recent Activities

On April 22, 2019, the Board approved the release of the Back-Office System / Customer Service Center request for proposals (RFP) for the 91 EL. This RFP and corresponding scope of work was developed jointly by OCTA and RCTC. The evaluation committee recommendation for this RFP is anticipated to be presented to the OCTA and RCTC Boards by the end of the calendar year. The current agreement for these services expires on June 30, 2021. In the event that the selected provider is not ready for the July 1, 2021 go-live date, a month-to-month optional extension up to a six-month maximum was approved by OCTA in July 2019. Execution of this option is at the sole discretion of OCTA and RCTC.

In May 2019, the Board approved a new ten-year agreement with the California Highway Patrol (CHP) to provide enforcement services on the 91 EL. OCTA is required to use CHP for enforcement services per the Franchise Agreement with the State. The agreement included additional funds for targeted enforcement of the high-occupancy vehicle policy.

Upcoming Events

Over the next few months, several events will be transpiring related to the 91 EL. Kapsch TrafficCom USA, Inc., will be installing a new electronic toll and traffic management collection lane system during the third quarter of 2019. An upgrade to the back-office system, a rollout of new account structure, and distribution of 6C transponders will commence once the lane system installation has been completed.

Also, during the third quarter, staff will be seeking Board approval to modify the 91 Express Lanes Ordinance regarding violation penalties. This modification will pertain to the maximum amounts charged for violations. Currently, OCTA and RCTC charge the maximum penalty allowable by law once the penalties have escalated through the process. OCTA will be looking to lower this amount to be more in line with other peer agencies throughout the state.

Summary

During the quarter ending June 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, June 2019

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