



May 27, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Preview to the Public Hearing on Orange County Transportation Authority's Fiscal Year 2020-21 Budget and Personnel and Salary Resolution

Overview

The Orange County Transportation Authority Fiscal Year 2020-21 Budget presents a balanced plan of sources and uses of funds while providing for the current and future transportation needs of Orange County. The Board of Directors may approve the fiscal year 2020-21 budget following the public hearing to be held at the Board of Directors' meeting on June 8, 2020, at the following Board of Directors' meeting on June 22, 2020, or in a special meeting convened at their discretion, on or before June 30, 2020. The Board of Directors are also asked to approve changes to the Personnel and Salary Resolution as part of the budget approval process.

Recommendations

- A. Approve by Resolution the Orange County Transportation Authority's Fiscal Year 2020-21 Budget.
- B. Approve the Personnel and Salary Resolution for Fiscal Year 2020-21.
- C. Authorize the Chief Executive Officer to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approval of fiscal year 2020-21 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, first quarter operating subsidy, in an amount up to \$7,274,000.

Background

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2019 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). These projections were updated in March 2020 based on the

impacts of the novel coronavirus (COVID-19) pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided funding that helped OCTA balance the budget based on the service plan, program goals, and objectives that are in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January, which were subject to successive internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of Human Resources and Organizational Development, to ensure a balanced and fiscally-responsible budget is delivered consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next 10 Delivery Plan.

The development of the FY 2020-21 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration (F&A) Committee on February 28, 2020, and the OCTA Board on March 11, 2020. However, due to the COVID-19 pandemic, revised budget assumptions were presented to the F&A Committee on April 8, 2020, and the OCTA Board on April 13, 2020. The presentation covered the changed economic landscape based on the COVID-19 pandemic and revised revenue and expense assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), Transit, Commuter Rail, Motorist Services, and 91 Express Lanes.

Staff presented the FY 2020-21 budget in detail in an informal workshop setting on May 11, 2020. The presentation included a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation was solely informational for the Board. No public hearing was held at the meeting, nor was the Board asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 8, 2020, Board meeting, after which staff anticipates seeking Board approval of the budget.

Discussion

The FY 2020-21 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the

current FY. The uses of these funds are planned and do not represent a utilization of funds as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

OCTA received revised revenue forecasts from MuniServices for the M2 Program half cent Local Transportation Authority sales tax revenue measure and the bus program quarter cent Local Transportation Fund sales tax revenue measure. In addition, OCTA also reviewed the State of California May 2020 revised estimate for the State Transit Assistance and Road Repair and Accountability Act revenues. As a result, the FY 2020-21 proposed budget was revised from when it was presented on May 11, 2020, to the Board at the budget workshop. OCTA was able to balance the impact of reduction in revenues through a combination of adjustments to salaries and benefits, travel and training, various M2 projects, and both use of prior year designations, as well as designations to be used in future years.

The combination of estimated revenues and planned use of reserves produces available funding of \$1,427.6 million, while proposed expenditures and designations yield a total use of funds of \$1,427.6 million. On a year-over-year comparison to the approved FY 2019-20 budget, the FY 2020-21 proposed budget is \$97.6 million less than the FY 2019-20 budget. This is primarily due to bus purchases that are included the FY 2019-20 budget and are not included in the FY 2020-21 budget.

Under the M2 Program, while the COVID-19 pandemic is expected to impact sales tax revenues, there is financial capacity within the program to continue to improve freeways, and streets and roads throughout Orange County, as well as fund multiple transit programs through FY 2020-21. Staff will continue to model the impact of COVID-19 to the M2 Program, as the revenue impacts become more defined in the coming months. Included in the proposed budget is \$417.7 million to help fund freeway improvement projects on Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately \$145.8 million is budgeted to improve streets and roads, including \$55.6 million for the Regional Capacity Program, \$48.6 million to fund the Local Fair Share Program, and \$35.8 million for Regional Traffic Signal Synchronization. In addition, the budget also includes \$59.9 million for M2 Transit, including \$31.6 million for ongoing construction of the OC Streetcar.

With the help of the CARES Act, the FY 2020-21 budget will include the same level of fixed-route bus service, as was included in the FY 2019-20 budget. A

total of 1.63 million revenue hours will be budgeted with 62 percent of the hours directly operated by OCTA and 38 percent of the hours provided by OCTA's contractor. While the budget assumes pre-COVID-19 pandemic levels of bus service, actual restoration of service will occur throughout the year based on ridership demand and public health considerations. Paratransit service trips are anticipated to decrease by 2 percent to 1.7 million. In addition, OC Flex service will be budgeted at 23.6 thousand revenue hours, which is consistent with the FY 2019-20 budget.

The proposed OCTA budget assumes a three-month extension of the current agreement with Metrolink at their request. It is anticipated Metrolink will submit a budget proposal for the balance of FY 2020-21 and OCTA staff will request a budget amendment during FY 2020-21 to include the remaining three quarters of operating subsidy, which will include authorization of Federal Transit Administration funds to be drawn directly by SCRRRA. The amendment will also include the approval of the capital and rehabilitation expenditure budget contingent upon all member agencies' approval of their respective capital and rehabilitation expenditure budgets. The CARES Act provides funds that enable OCTA to support up to pre-COVID-19 service levels through FY 2020-21 if needed based on demand. That is a total of 54 weekday trips and 16 weekend trips for Metrolink service within Orange County.

The COVID-19 pandemic has not only caused the economy to slow but has resulted in severe traffic declines well in excess of peak losses during the Great Recession for the 91 Express Lanes Program. The 91 Express Lanes are currently experiencing traffic declines of approximately 60 percent when compared to the same period last year. Due to strong reserves, the 91 Express Lanes are able to meet all operating, capital, and debt-related expenditures. As a result, revenues and expenses are balanced for the 91 Express Lanes Program for FY 2020-21.

Staff will be available to present, review, or answer questions about the budget at the following committees, as well as to individual Board Members upon request.

Committee	Date
Finance and Administration	May 13
Transit Committee	May 14
Legislative and Communications	May 21
Finance and Administration (Preview of Public Hearing)	May 27
Executive Committee	June 1
Regional Planning and Highways	June 1

Personnel and Salary Resolution

The FY 2020-21 Personnel and Salary Resolution (PSR) (Attachment C) governs administrative employees and is approved annually as part of the budget. Changes have been made to the PSR to include minor clarifications, where necessary.

The PSR includes no increases for merit or bonus pools and no changes to salary structures.

Information Systems Licensing and Maintenance Agreements

Each year, in conjunction with approving the budget, the Board approves OCTA's software and hardware licensing and maintenance agreements. OCTA follows industry practice to ensure proper maintenance and to receive critical product upgrades of its licensed software and purchased hardware. The annual licensing and maintenance agreements are executed with each hardware and software developer on a sole source basis, for an amount not to exceed the contracted value for each vendor. The sole source list includes licensing and maintenance agreements, as well as emergency support after hours, weekends, and holidays.

Two specific firms that appear on the sole source list are Coastline Consulting Services and Compucom. These firms provide emergency malware support in the event of a cyber attack or related incident. Although other vendors could provide these services, OCTA included them on the sole source list based on the criticality of their services and prior knowledge and experience with OCTA, as well as their standing in the industry in regard to cyber security remediation. On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$7.5 million. A list of the agreements is included as Attachment D.

Southern California Regional Rail Authority (SCRRA) Budget

Under the Joint Powers Agreement that governs the SCRRA, each member agency must approve its financial contribution to the SCRRA budget. The FY 2020-21 SCRRA budget estimates the OCTA operating funding allocation for the first quarter to be \$7,274,000.

In addition to the operating funding allocation, OCTA is also responsible for a portion of the costs for capital and rehabilitation projects. These projects are typically led by the SCRRA, and the grant funds to pay for them are drawn down directly by the SCRRA. As a result, these projects are not typically included in OCTA's budget. It is anticipated staff will request a budget amendment during FY 2020-21 to include the remaining three quarters of operating subsidy, which will include authorization of Federal Transit Administration funds to be drawn directly by SCRRA. The amendment will also include the approval of the capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation expenditure budgets.

Summary

The Orange County Transportation Authority Fiscal Year 2020-21 Budget was reviewed by the Board of Directors in a workshop setting on May 11, 2020. The Board of Directors may approve the fiscal year 2020-21 budget following the public hearing on June 8, 2020, at the regularly scheduled meeting on June 22, 2020, or in a special meeting convened at their discretion.

Attachments

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2020-21, OCTA Resolution No. 2020-021
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2020-21
- C. Proposed Changes for the Personnel and Salary Resolution Fiscal Year 2020-21
- D. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List - Fiscal Year 2020-21

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