




July 8, 2020

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

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 third 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 through the third 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 |
| Total Working Budget | | \$ 1,529,715 |

*in thousands

Discussion

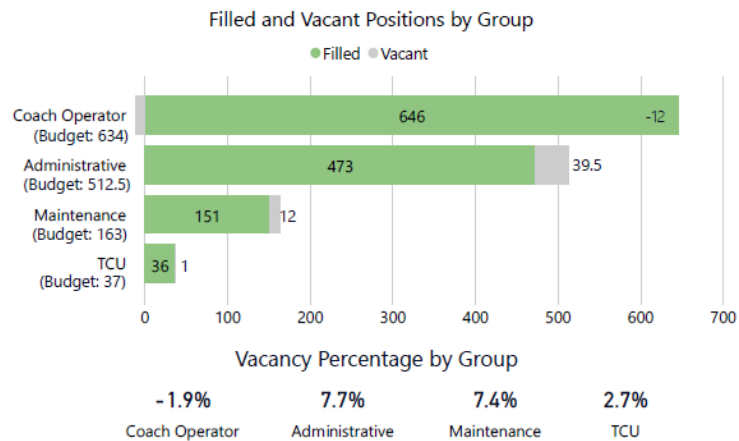
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express 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 five percent variance of budget
- Red – Over five percent variance of budget

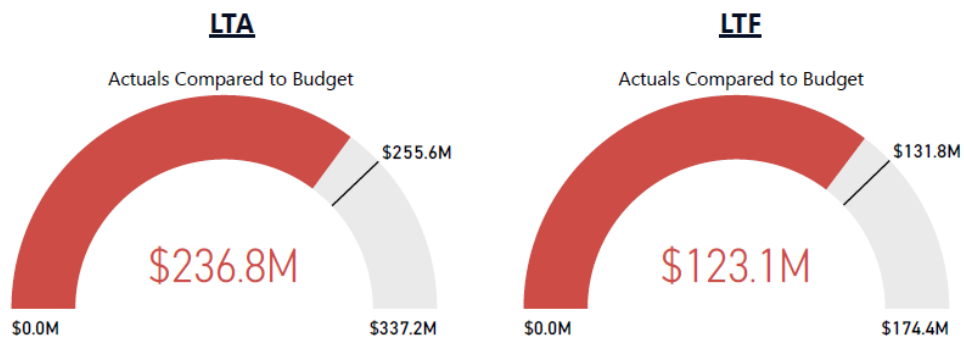
Staffing

Total salaries and benefits underran the budget by \$3.4 million. This is primarily due to vacancies OCTA-wide, with the largest vacancy percentages in the administrative (7.7 percent) and maintenance (7.4 percent) groups at the end of the quarter. At the end of the third quarter, there were 12 more filled coach operator positions than the budgeted amount of 634 (1.9 percent). This can be attributed to two factors, which were successful coach operator recruitment efforts coupled with a reduction in coach operator leave of absences. However, based on the impact of the novel coronavirus (COVID-19), recruitment for coach operators has been placed on hold and based on current attrition it is anticipated that the number of coach operators will reach the budget level in the August timeframe. Furthermore, it is important to note that on a financial basis, actual salaries and benefits for coach operator positions are underrunning the budget by \$1.6 million.



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 \$236.8 million were \$18.8 million lower than the budget and LTF sales tax receipts of \$123.1 million were \$8.7 million lower than the budget. On a year-over-year basis, sales tax has grown between one to two percent through March, but at a rate less than budgeted. Furthermore, COVID-19 stay-at-home orders were put in place in mid-March 2020, which played a role in sales tax underrunning the budget in the third quarter and will play a larger role in the fourth quarter.



Major Programs

Bus Program



Operating Revenue

\$200.9M

\$214.5M YTD Budget

\$372.1M

Annual Budget

Operating Expense

\$179.2M

\$195.1M YTD Budget

\$372.1M

Annual Budget

Bus Program operating revenue of \$200.9 million underran the budget by \$13.6 million, primarily due to lower than anticipated LTF sales tax revenue (\$8.7 million) and State Transit Assistance (STA) sales tax revenue (\$4.1 million). The underrun in STA can be primarily attributed to lower fuel prices and fuel consumption through the third quarter. Bus Program operating expenses of \$179.2 million underran the budget by \$15.9 million, primarily due to tax credits received for the use of alternative fuels. In March 2020, OCTA received \$8 million in federal alternative fuel tax credits for two years' worth of compressed natural gas and liquid natural gas use, offsetting fuel expenses. Due to the varying nature of the credits, and their dependence on legislation to be approved, these were not budgeted for the FY. In addition to these credits, fuel consumption for the FY was lower than anticipated. Hydrogen fuel and gasoline underran due to lower miles driven than anticipated. Hydrogen fuel is used in ten buses, which were all anticipated to be in service beginning in July 2019, but were not fully employed until February 2020 due to the timing of completion of the hydrogen fueling infrastructure. Gasoline is used for OC ACCESS, the on-demand paratransit service, and less miles were driven than forecasted. Furthermore, expenses are anticipated to underrun because of decreased demand for the service due to the COVID-19 pandemic.

Capital Revenue

\$21.5M

\$18M YTD Budget

\$233.1M

Annual Budget

Capital Expense

\$9.1M

\$18M YTD Budget

\$233.1M

Annual Budget

Bus Program capital revenue of \$21.5 million overran the budget by \$3.5 million, primarily due to prior FY state grant revenue received in the current FY for the purchase of ten hydrogen fuel cell electric buses and hydrogen fueling infrastructure. 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 \$9.1 million underran the budget by \$8.9 million, primarily due the timing of the purchase for ten battery electric buses and associated charging infrastructure of \$6.8 million. The bus purchase and charging infrastructure construction were

scheduled to commence by the third quarter of the FY. However, due to the associated state grant funding process, which is taking longer than anticipated, the project schedule has been revised. These items have been rebudgeted next FY. The remainder of capital underruns are due to contract execution and invoice timing for various capital projects. These projects include the Standby Power Generator Replacement project, Transit Facility Signage project, Park-n-Ride and Transportation Center Modernization project, locker room modifications, and a lighting improvement project at the bus bases. These items are anticipated to have contracts executed and be in alignment with the budget by the end of the FY.

Rail Program



Operating Revenue

\$27.8M

\$26.3M YTD Budget

\$44.5M

Annual Budget

Operating Expense

\$23.1M

\$26.3M YTD Budget

\$44.5M

Annual Budget

Rail Program operating revenue of \$27.8 million overran the budget by \$1.5 million, primarily due to higher than anticipated earnings on investments. Operating expenses of \$23.1 million underran by \$3.2 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 underrun is due to an operating surplus and a credit for preventative maintenance funds drawn down directly by SCRRA. Therefore, the subsidy provided by OCTA was less than anticipated. As a result, this underrun is expected to remain for the rest of the FY.

Capital Revenue

\$15.8M

\$1.7M YTD Budget

\$43.6M

Annual Budget

Capital Expense

\$3.8M

\$1.3M YTD Budget

\$43.6M

Annual Budget

Rail Program capital revenue of \$15.8 million overran the budget by \$14.1 million primarily due to the timing of grant funds and city contributions for construction of the Orange Transportation Center Parking Structure project and the Laguna Niguel to San Juan Capistrano passing siding project. For both projects, these funds were budgeted in prior FYs corresponding to expenses but received in the current FY. Capital expenses of \$3.8 million overran the budget by \$2.6 million due to the timing of construction phase expenses for the Laguna Niguel to San Juan Capistrano passing siding project. At the time of budget development, staff estimated expenses to take place later in the FY.

Due to execution of a construction contract, and the notice to proceed for construction activity occurring earlier than anticipated, this item is currently overrunning. However, this overrun will be resolved by the end of the FY when the actuals align with the budgeted amount.

91 Express Lanes Program



Operating Revenue

\$37.7M

\$38.1M YTD Budget

\$78.1M

Annual Budget

Operating Expense

\$13.0M

\$16.7M YTD Budget

\$78.1M

Annual Budget

The 91 Express Lanes Program operating revenue of \$37.7 million underran by \$0.4 million, primarily due to lower than anticipated toll revenue due to lower utilization of the toll lanes than forecasted (\$3.5 million). Partially offsetting the underrun was an overrun in fees collected for toll violations and account minimums which are variable in nature and difficult to forecast (\$2.1 million), and earnings on investments (\$1 million) which benefitted from higher than anticipated performance. Operating expenses of \$13 million underran by \$3.8 million, primarily due to as-needed expenses associated with toll road account servicing, legal services, and equipment repair/maintenance. The toll road operating contract contributed \$1 million to the underrun due to a reduction in services under the contract. The vendor will not be managing the electronic toll and traffic management system as originally anticipated, as that service will now be part of a separate contract.

Capital Revenue

\$9.8M

\$9.8M YTD Budget

\$38.1M

Annual Budget

Capital Expense

\$8.8M

\$9.8M YTD Budget

\$38.1M

Annual Budget

Capital revenue for the 91 Express Lanes of \$9.8 million was in line with the budget. Capital expenses of \$8.8 million underran by \$0.9 million, due to invoice timing for improvements to the customer service center. The invoice was paid in the prior FY after work was completed.

Motorist Services Program



Operating Revenue

\$8.5M

\$5.4M YTD Budget

\$9.2M

Annual Budget

Operating Expense

\$4.8M

\$5.4M YTD Budget

\$9.2M

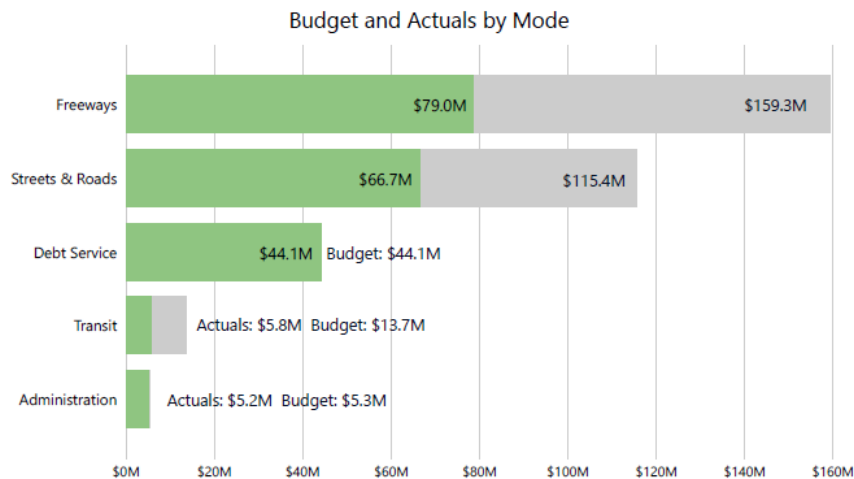
Annual Budget

Motorist Services Program revenue of \$8.5 million overran the budget by \$3.1 million, primarily due to state contribution funds for Freeway Service Patrol (FSP). The funds for operating the service were budgeted in a prior FY but received in the current FY. Expenses for the program of \$4.8 million underran the budget by \$0.6 million, primarily due to a freeway call box radio upgrade project which has been moved to next FY (\$0.4 million). The project was budgeted to facilitate the upgrade from 3G to 4G radio technology, but due to the vendor continuing 3G support for another year, the project was moved to the following FY. The remainder of the underrun is due to lower fuel cost for contracted tow service for the FSP Program. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated.

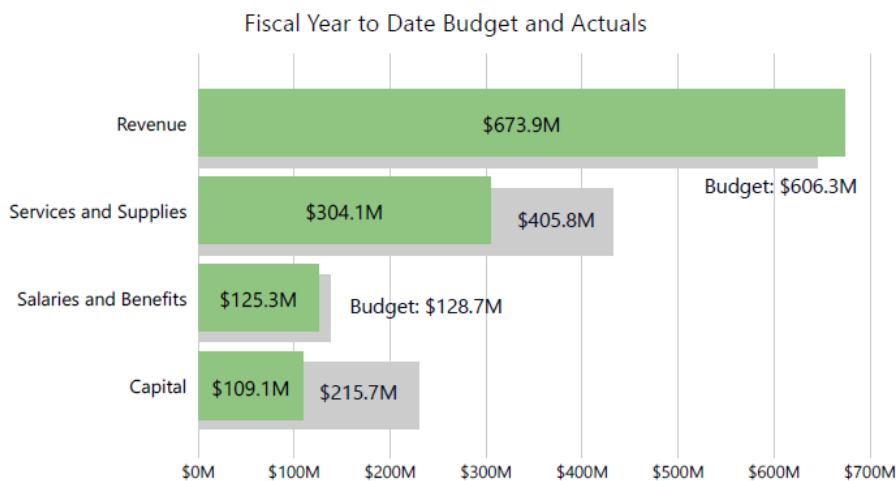
M2 Program



Total expenses for the M2 Program of \$200.8 million underran the budget by \$137.1 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 lower utilization of right-of-way capital and support expenses for the Interstate 5 South County Improvement project and the Interstate 405 Improvement Project.



Summary



Overall, revenue of \$673.9 million overran the budget by \$67.6 million, primarily due to the net effect of grant revenue budgeted in a prior FY, but received in the current FY offset with underruns of LTA sales tax receipts (\$18.8 million) and LTF sales tax receipts (\$8.7 million) and STA sales tax revenue (\$4.1 million).

Services and supplies expenses of \$304.1 million underran the budget by \$101.6 million, primarily due to an underrun in fuel costs for the bus fleet, the Metrolink operating subsidy, and contributions to local agencies based on lower than anticipated project payment requests for competitive M2 programs.

Capital expenses of \$109.1 million underran the budget by \$106.6 million, primarily due to construction and construction support services for the Interstate 5 South County Improvement project, the Interstate 405 Improvement Project, and the 91 Express Lanes Back-Office System, and Customer Service Center project.

Salaries and benefits of \$125.3 million underran the budget by \$3.4 million, due to vacancies, primarily in the administrative (7.7 percent underrun) and maintenance (7.4 percent underrun) groups.

Attachment**A. FY 2019-20 Third Quarter Budget Status Summary****Prepared by:**

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