



September 9, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2020-21 Proposed Budget Amendment

Overview

Staff proposes a budget amendment to update the Orange County Transportation Authority's Fiscal Year 2020-21 Approved Budget. This amendment better aligns the budget with anticipated revenue and expenditures through the balance of the fiscal year by funding commuter rail operations for the remainder of the year, reducing bus program revenues and expenditures based on reduced service levels, and adds positions for Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, which will be fully reimbursed by the State.

Recommendations

- A. Amend the Orange County Transportation Authority's Fiscal Year 2020-21 Budget by reducing the revenue and expense budgets, in the amount of approximately \$28 million, to accommodate updated budget assumptions for revenue and expense items.
- B. Approval of the full Fiscal Year 2020-21 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, in an amount up to \$28,773,477, including authorization of Federal Transit Administration funds, in an amount up to \$8,500,000, to be drawn down directly by the Southern California Regional Rail Authority. Also included in Southern California Regional Rail Authority's operating subsidy proposal is the direct draw down of The Coronavirus Aid, Relief, and Economic Security Act funding in the amount of \$17,159,239.
- C. Authorize Federal Transit Administration funds, in an amount up to \$12,969,650, to be drawn down directly by the Southern California Regional Rail Authority for capital and rehabilitation expenditure budget

contingent upon all member agencies' approval of their respective capital and rehabilitation budgets.

- D. Authorize the addition of four new positions to the Orange County Transportation Authority. The four positions are requested to accommodate the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's FY 2020-2021 Approved Budget. The four positions include a Project Manager, Senior, Transportation Funding Analyst, Senior, Accounting Analyst, Associate, and a Deputy Managing Director.

Background

The Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2020-21 Budget was approved by the OCTA Board of Directors (Board) on June 8, 2020 in the amount of \$1,427.6 million. At the time the budget was approved by the Board, due to the uncertainty caused by the coronavirus (COVID-19), the Southern California Regional Rail Authority (SCRRA) only requested an operating subsidy contribution of three months in order to provide the agency time to determine appropriate service levels and the corresponding full year operating subsidy and capital expenditure requirements. In addition, OCTA budgeted fixed-route service levels of up to 1.6 million revenue hours in order to maintain a state of readiness if ridership returned or social distancing requirements necessitated additional service. OCTA anticipates running service levels of approximately 1.2 million revenue hours to meet ridership demand and social distancing requirements through the February 2021 service change.

Discussion

Staff is requesting the Board authorize amending the FY 2020-21 budget based on updated revenue and expenditure assumptions. Based on the recommended changes, the amended budget would be \$28 million less than the budget approved by the Board on June 8, 2020. The budget would decrease from \$1,427.6 million to \$1,399.6 million based on the proposed amendment.

A detailed list of the changes and their impact to the budget is provided in Attachment A. The primary drivers of the budget amendment are the requested changes by the SCRRA, as well as changes in assumptions for the bus program. In addition to those changes, staff is proposing additional amendments based on information received since the budget was approved in June. These changes include reducing the healthcare budget based on actual rates coming in less than anticipated, adding four staff members to support the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency (LOSSAN),

which will be fully reimbursed by LOSSAN, as well as accommodating the pass through of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to support the Anaheim Transportation Network (ATN). A summary of the changes is provided below.

Bus Program

The approved budget assumed pre-COVID-19 service levels of 1.6 million annual revenue hours. Based on lower ridership demand and to meet social distancing requirements, OCTA has actually been running approximately 1.2 million annualized revenue hours. As of now, this is the level of service assumed through February. Additionally, paratransit services are down by approximately 80 percent and are assumed to stay at this lower level through February. As a result, it is anticipated that bus operating expenditures will be \$35.2 million lower than budget. This savings is offset by an anticipated decrease in fare revenue (\$7.2 million). Due to lower than anticipated bus expenditures, less CARES Act revenue will be needed in the current FY (\$25.6 million) and the funds will be utilized next FY year to support bus service.

Healthcare

Healthcare was budgeted at \$22.4 million based on an anticipated growth rate of ten percent for the second half of the FY. However, healthcare rates provided by OCTA's healthcare broker anticipate growth to be 0.7 percent for the second half of the FY, reducing OCTA's healthcare budget assumptions by \$0.9 million to \$21.5 million in FY 2020-21.

OC Flex

OCTA's budget included funding for two OC Flex zones. Due to low ridership, service for the Blue Zone was temporarily suspended and service is currently operated only in the Orange Zone. Based on the temporary service reduction in the Blue Zone, it is anticipated that OC Flex expenses will be \$0.5 million lower than the current budget.

LOSSAN Staffing

Since the approval of OCTA's budget, the LOSSAN Agency's FY 2020-21 budget was approved by the California State Transportation Agency. The LOSSAN budget includes four new positions, which are: Project Manager, Senior, Transportation Funding Analyst, Senior, Accounting Analyst, Associate, and a Deputy Managing Director. The estimated cost for these positions in this

year's budget is \$0.5 million. OCTA will be fully reimbursed for the cost of these positions.

ATN

On July 13, 2020, the OCTA Board approved CARES Act pass-through funding to ATN in the amount of \$2.3 million. While the funds have already been sent to ATN, a budget amendment is recommended to accommodate the pass-through.

SCRRA Service

The OCTA budget approved by the Board in June included \$7.3 million to fund three months of operating subsidy for the SCRRA. The plan at that time was to amend the budget at a future date for the remaining nine months of the FY. SCRRA has since provided OCTA with a budget proposal, which includes OCTA's portion of the remaining member agency operating subsidy. The operating subsidy is based on operating 45 weekday trips, which is reduction of nine weekday trips due to the impact of COVID-19 to ridership. The budget amendment request to support the full year's operating subsidy is \$13 million. A breakdown of how OCTA's portion of the operating subsidy is funded is provided below.

FY 2020-21 Operating Subsidy	\$45.9
------------------------------	--------

Funds Drawn Directly By SCRRA

CARES Act	17.1
Federal Transit Administration	8.5
Total funds drawn directly	\$25.6

FY 2020-21 OCTA Budget

Approved budget – 3 months	7.3
Amendment request	13.0
Total OCTA budget	\$20.3

The recommendations include authorizing the SCRRA to directly drawdown \$17.1 million in CARES Act funding and up to \$8.5 million in Federal Transit Administration (FTA) funds. These drawdowns would be used to partially fund the operating subsidy for FY 2020-21. In addition, each year the Board also approves the SCRRA capital and rehabilitation expenditure budget. The SCRRA is asking for a capital and rehabilitation budget of \$13 million, which will be paid for with FTA funds and will be drawn down directly by the SCRRA. The approval of the capital and rehabilitation budget would be contingent upon all member agencies' approval of their respective capital and rehabilitation

budgets. Additionally, the SCRRA requested that each member agency provide a one-time increase to their contribution so they could increase their cash on hand to reduce the financial stress on the agency when making large payments to contractors. The request from OCTA was approximately \$5 million. While OCTA understands the SCRRA's cash flow needs, we are recommending that the SCRRA engage with one of their policy groups to determine the best way to solve this problem and determine appropriate accountability measures for any one-time funds sent by member agencies.

Summary

The proposed budget amendment reduces OCTA's FY 2020-21 Budget by \$28 million and better aligns the budget with anticipated revenues and expenditures. The proposed amendment would reduce the FY 2020-21 Budget from \$1,427.6 million to \$1,399.6 million. This amendment provides funding for the remaining nine months of the FY for Metrolink commuter rail service, reduces bus service expenditures based on lower levels of service, and adds four new positions for LOSSAN, which will be fully reimbursed by the State. OCTA will continue to evaluate the budget throughout the FY based on the evolving financial impacts of COVID-19.

Attachment

- A. FY 2020-21 Proposed Budget Amendment Revenue and Expense Detail

Prepared by:

Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:

Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649