



May 10, 2021

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Fiscal Year 2021-22 Budget Workshop

Overview

The Orange County Transportation Authority is underway with the development of the fiscal year 2021-22 budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail during a two-hour informal workshop following the May 10, 2021, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Receive and file as an information item.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2020 with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). While the budget assumes continued economic recovery from the coronavirus (COVID-19) pandemic, some uncertainty remains. Through sound financial planning, OCTA is in a strong position to propose a budget that has the flexibility to adapt to increased demand for services and programs. The service plan, program goals, and objectives included in the budget 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 2020 Next 10 Delivery Plan.

The development of the FY 2021-22 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration (F&A) Committee on March 24, 2021, and the OCTA Board on April 12, 2021. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs including: Measure M2 (M2), bus, commuter rail, motorist services, and 91 Express Lanes.

In FY 2021-22, the growth rate for the M2 Program half-cent Local Transportation Authority sales tax revenue is forecasted to be 3.6 percent. The growth rate for the bus program quarter-cent Local Transportation Fund sales tax revenue is forecasted to be 3.2 percent. These growth rates were provided by MuniServices, LLC forecasts based on the board approved sales tax forecasting methodology.

The FY 2021-22 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.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,263.2 million, while proposed expenditures and designations yield a total use of funds of \$1,263.2 million. On a year-over-year comparison to the amended FY 2020-21 budget, the FY 2021-22 proposed budget is 18.5 percent, or \$285.9 million, less than the FY 2020-21 amended budget.

Under the M2 Program, sales tax revenues are anticipated to begin recovering from the impacts of COVID-19 and there is financial capacity within the program to continue to improve freeways, streets and roads throughout Orange County, as well as fund multiple transit programs. Included in the proposed budget is \$398 million to help fund freeway improvement projects on State Route 55, Interstate 405, Interstate 5, State Route 57, and State Route 91. Approximately \$141.5 million is budgeted to improve streets and roads, including \$54 million to fund the Local Fair Share Program, \$44.1 million for the Regional Capacity Program, and \$43.4 million for regional traffic signal synchronization. In addition,

the budget also includes \$63.1 million for M2 transit, including \$34.9 million for ongoing construction of the OC Streetcar.

With the help of the federal supplemental funding due to COVID-19, the FY 2021-22 budget assumes fixed-route service levels have the flexibility to increase by over 20 percent based on demand and public health considerations. Up to 1.45 million service hours will be budgeted with approximately 60 percent of the hours directly operated by OCTA and approximately 40 percent of the hours provided by OCTA's contractor. Paratransit service trips are anticipated to increase from current levels of 447,000 to 980,000. The large increase in paratransit trips is the result of anticipated stabilization and recovery of ridership following the dramatic trip declines of 80 percent due to the COVID-19 pandemic. In addition, OC Flex service will continue at 58,000 service hours.

The federal supplemental funding due to COVID-19 will also provide OCTA with the ability to continue OCTA's Metrolink subsidy contribution to accommodate current service levels. The budget assumes a total of 41 weekday trips and 16 weekend trips for Metrolink service within Orange County.

The 91 Express Lanes is recovering from traffic declines due to COVID-19 and anticipates traffic volumes will increase by over 28 percent when compared to the FY 2020-21 budget.

Staff will present the FY 2021-22 budget in detail in an informal workshop setting on May 10, 2021. The presentation will include 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 will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 14, 2021, Board meeting, after which staff anticipates seeking Board approval of the budget.

Summary

Staff will conduct a budget workshop for the OCTA Board at the May 10, 2021, Board meeting. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 14, 2021, Board meeting, after which staff anticipates seeking Board approval of the budget.

Attachment

A. Fiscal Year 2021-22 Budget Workshop

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