



June 9, 2021

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 2021-22 Budget and Personnel and Salary Resolution

Overview

The Orange County Transportation Authority Fiscal Year 2021-22 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 2021-22 budget following the public hearing to be held at the Board of Directors' meeting on June 14, 2021, at the following Board of Directors' meeting on June 28, 2021, or in a special meeting convened at their discretion, on or before June 30, 2021. 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 2021-22 Budget.
- B. Approve the Personnel and Salary Resolution for fiscal year 2021-22.
- C. Authorize the Chief Executive Officer or his designee to negotiate and execute the software and hardware licensing, maintenance, and emergency support purchase orders and/or agreements.
- D. Approve fiscal year 2021-22 Orange County Transportation Authority member agency contribution to the Southern California Regional Rail Authority, operating subsidy, in an amount up to \$39,152,549, including authorization of federal supplemental funding, in an amount up to \$39,152,549, to be drawn down directly by the Southern California Regional Rail Authority. In addition, approve the capital and rehabilitation expenditure budget contingent upon all member agencies approval of their respective capital and rehabilitation budgets. Orange County

Transportation Authority portion of the costs for capital is \$118,800 and \$15,047,906, for rehabilitation.

Background

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). 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, the 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), transit, motorist services, and the 91 Express Lanes.

Staff presented the FY 2021-22 budget in an informal workshop setting on May 10, 2021. 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 14, 2021, Board meeting, after which staff anticipates seeking Board approval of the budget.

Discussion

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 \$1,267.1 million, while proposed expenditures and designations yield a total use of funds of \$1,267.1 million. On a year-over-year comparison to the amended FY 2020-21 budget, the FY 2021-22 proposed budget is 18.2 percent, or \$282 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 the coronavirus (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 \$63.7 million for M2 transit, including \$35.5 million for ongoing construction of the OC Streetcar.

The FY 2021-22 budget supports up to 1.45 million fixed-route service hours, which is an increase of approximately 250,000 service hours from current service levels and brings service to approximately 90 percent of pre-pandemic levels. The additional service will be added based on demand and public health considerations and is largely enabled by federal supplemental funding. Service hours budgeted assume approximately 60 percent of the hours will be directly operated by OCTA and approximately 40 percent of the hours will be 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 demand 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 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 has attended and will continue to attend and be available to present, review, and/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 12
Transit Committee	May 13
Legislative and Communications	May 20
Executive Committee	June 7
Regional Planning and Highways	June 7
Finance and Administration (Preview of Public Hearing)	June 9
Transit Committee	June 10

Personnel and Salary Resolution

The FY 2021-22 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 a four percent merit pool and three percent special performance award (bonus pool). The PSR also includes an adjustment of three percent to the maximum salary for each salary grade. Salary grade adjustments do not automatically increase employee salaries unless they are below the minimum of the new range. Currently, there are seven OCTA employees that fall below the proposed minimum grade range, which would require an automatic salary increase totaling \$5,886.

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 and multi-year 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.

The Carahsoft vendor listed on the sole source list provides security licenses for our active monitoring, detection, and response platform, which includes incident management response services. Though other firms offer this service, 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 regarding cyber security remediation. On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$8.2 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 of \$39,152,549, including authorization of federal supplemental funding in an amount up to \$39,152,549, to be drawn down directly by SCRRA.

In addition to the annual 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. The SCRRA budget (Attachment E) provides a detailed list of projects and the associated costs by member agency. OCTA's portion of the costs for capital is \$118,800 and \$15,047,906, for rehabilitation.

Summary

The Orange County Transportation Authority Fiscal Year 2021-22 Budget was reviewed by the Board of Directors in a workshop setting on May 10, 2021. The Board of Directors may approve the fiscal year 2021-22 budget following the public hearing on June 14, 2021, at the regularly scheduled meeting on June 28, 2021, or in a special meeting convened at their discretion, on or before June 30, 2021.

Attachments

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2021-22, OCTA Resolution No. 2021-037
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2021-22
- C. Proposed Changes for the Personnel and Salary Resolution (PSR) FY21-22
- D. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List - Fiscal Year 2021/2022
- E. Transmittal of the Metrolink Southern California Regional Rail Authority Proposed FY 2021-22 Budget

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