



**July 28, 2021**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2020-21 Third Quarter Budget Status Report

### **Overview**

Orange County Transportation Authority staff has implemented the fiscal year 2020-21 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2020-21.

### **Recommendation**

Receive and file as an information item.

### **Background**

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2020-21 Budget on June 8, 2020. 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 2020, was \$1.428 billion. Sources of funds were comprised of \$1.004 billion in current FY revenues and \$423.4 million in use of prior year designations. Uses of funds were comprised of \$1.369 billion of current FY expenditures and \$58.8 million of designations.

The Board approved five amendments through the third quarter, increasing the expense budget by \$113.1 million. This increased the budget to \$1.54 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2020	Adopted Budget	\$ 1,427,620
9/14/2020	Anaheim Transit Network - CARES Act <sup>1</sup>	2,355
9/14/2020	Bus Service Levels	(34,120)
9/14/2020	Healthcare	(931)
9/14/2020	LOSSAN Staffing - New Positions <sup>2</sup>	533
9/14/2020	Metrolink Service - Operating Subsidy	12,999
9/14/2020	OC Flex Service	(388)
9/14/2020	Designations	(8,438)
11/23/2020	Amendment to Contract for OC ACCESS Service	5,051
12/14/2020	Interstate 405 Improvement Project Construction	127,000
2/8/2021	Bus Service Levels	(5,111)
2/8/2021	91 Express Lanes Back Office System	5,350
2/8/2021	91 Express Lanes System Integrator	3,740
2/8/2021	405 Express Lanes System Integrator	250
2/8/2021	Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Interest Rate Reset	360
2/22/2021	Amendment to Contract for OC Bus Service (First Transit, Inc.)	4,415
	<i>Subtotal Amendments</i>	<i>113,066</i>
	<b>Total Working Budget</b>	<b>\$ 1,540,686</b>

<sup>1</sup>CARES - Coronavirus Aid, Relief, and Economic Security

\*in thousands

<sup>2</sup>LOSSAN - Los Angeles - San Diego - San Luis Obispo Rail Corridor

### Discussion

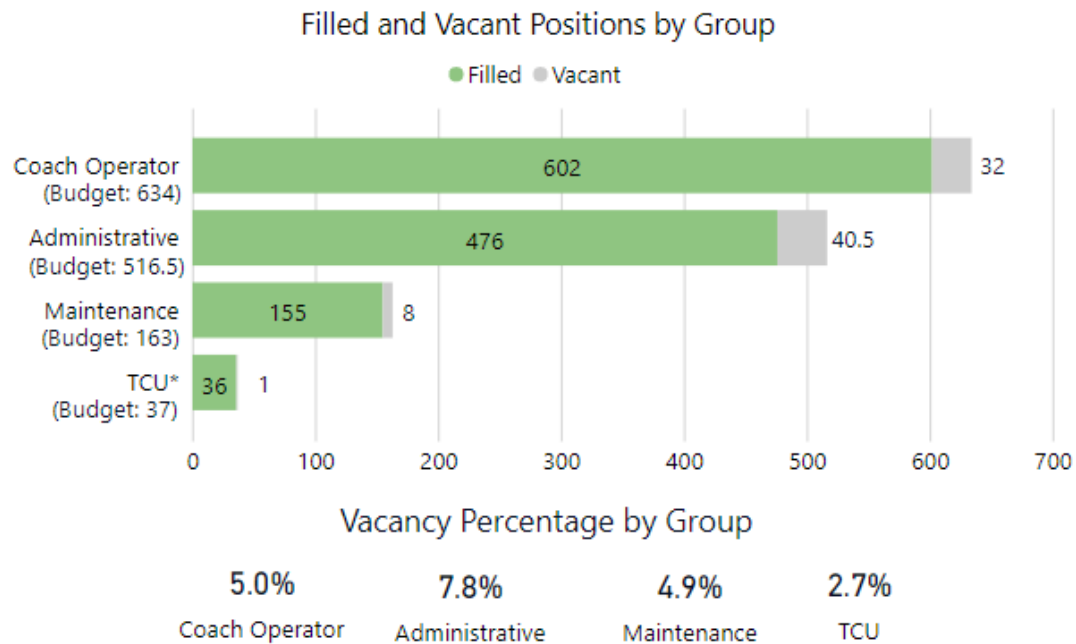
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express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

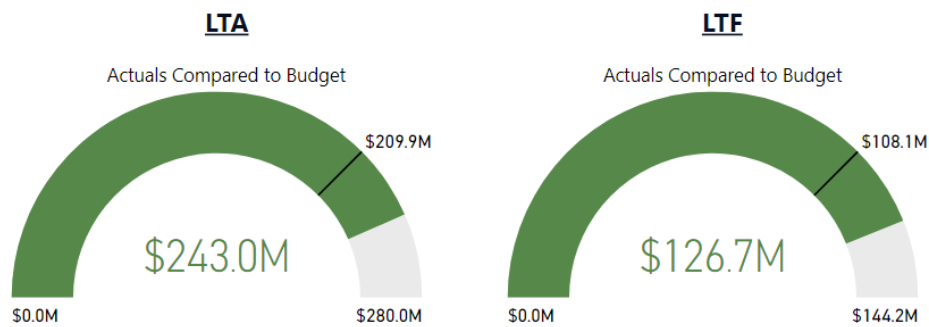
Total salaries and benefits underran the budget by \$5.8 million. This is primarily due to vacancies agency-wide, with the largest vacancy percentage in the administrative group (7.8 percent) at the end of the quarter.



\*TCU - Transportation Communications International Union

## 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 \$243 million are \$33.1 million higher than the budget and LTF sales tax receipts of \$126.7 million are \$18.6 million higher than the budget. Sales tax figures are outperforming the budget because receipts finished stronger than anticipated in the final quarter of FY 2019-20 and although the budget included a forecasted decrease in sales tax due to the coronavirus (COVID-19) pandemic, sales tax receipts are increasing for LTA and Transportation Development Act (TDA) through the third quarter. Year-to-date sales tax receipts are up for LTA (2.3 percent) and TDA (2.5 percent) from the same period last year. The year-to-date growth in sales tax is due to a tremendous increase in third quarter receipts. LTA grew by 28 percent and TDA grew by 27 percent from the same quarter last year.



## Major Programs

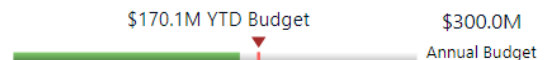
### Bus Program



#### Operating Revenue



#### Operating Expense



Bus Program operating revenue of \$276.3 million exceeded the budget by \$86.5 million, primarily due to the timing of CARES Act funds received to support operations in the amount of \$44.4 million. Additionally, higher than anticipated LTF sales tax revenue contributed \$18.6 million to the variance. Federal grant revenue for bus operations exceeded the budget by \$8.3 million due to the ability of staff to seek reimbursement for grant funds earlier than anticipated due to expenditures occurring earlier than anticipated. Lastly, earnings on cash balances exceeded the budget by \$7.2 million due to better than anticipated market performance.

Bus Program operating expenses of \$157.1 million underran the budget by \$13 million, primarily due to vacancies for coach operators, maintenance workers, and bus operations administrative employees totaling \$5.1 million. An underrun of \$2.3 million for OC ACCESS paratransit service was due to lower revenue vehicle hours compared to the budget. Through the end of March, approximately 204,000 hours were provided compared to 307,000 hours budgeted. An underrun of \$1.8 million resulted from emergency COVID-19 vaccine transportation support. OCTA re-allocated budget to support the County of Orange in transporting residents and workers to vaccine sites, but through the third quarter, this service has not been utilized. The remainder of the underrun (\$3.8 million) is the result of as-needed items including the Vanpool Program, marketing efforts, shop supplies, maintenance parts, and on-call consultant services, which vary based on the needs at any time during the FY.

**Capital Revenue****Capital Expense**

Bus Program capital revenue of \$114.5 million exceeded the budget by \$0.9 million primarily due to the timing of California State of Good Repair grant funds received for the purchase of battery electric buses. Funds were received earlier in the FY than anticipated based on the timing of expenditures. Capital expenses of \$113.9 million overran the budget by \$0.3 million primarily due to the timing of contract execution for the purchase of 15 coach operator relief vehicles. The purchase agreement was anticipated to be executed in the fourth quarter of the FY but was executed earlier to take advantage of expiring incentives.

**Rail Program****Operating Revenue****Operating Expense**

Rail Program operating revenue of \$23.3 million exceeded the budget by \$0.5 million, primarily due to higher than anticipated earnings on cash reserves. Operating expenses of \$24.5 million overran by \$1.7 million due to timing of the Metrolink operating subsidy payment. This variance will be resolved in the fourth quarter when the actuals align with the budget.

**Capital Revenue****Capital Expense**

Rail Program capital revenue of \$4.3 million exceeded the budget by \$1.7 million due to prior FY grant revenue received in the current FY for construction of the Laguna Niguel to San Juan Capistrano Passing Siding project. Capital expenses of \$4.5 million overran by \$1.9 million due to the timing of two construction contracts for the rehabilitation of six Orange County Metrolink stations, which occurred earlier in the FY than anticipated. The variance will be resolved in the fourth quarter when the actuals align with the budget.

## 91 Express Lanes Program



## Operating Revenue

\$20.3M YTD Budget

\$75.0M

Annual Budget

## Operating Expense

\$17.9M YTD Budget

\$75.0M

Annual Budget

The 91 Express Lanes Program operating revenue of \$31.8 million exceeded the budget by \$11.5 million, primarily due to higher than anticipated traffic volumes (\$9.7 million). After budgeting conservatively due to COVID-19, volumes have rebounded faster than anticipated. The remainder is due to earnings on cash reserves which has benefitted from higher than anticipated performance. Operating expenses of \$12.4 million underran by \$5.6 million, primarily due to as-needed expenses associated with toll road account servicing, project support, marketing, and legal services (\$3.6 million). Additionally, equipment maintenance underran due to the timing of expenses for the Toll Gantry Infrastructure project (\$1.9 million). The project, led by the California Department of Transportation, was anticipated to be expensed throughout the FY. However, it is now anticipated to begin in the fourth quarter of the FY.

## Capital Revenue

\$7.3M YTD Budget

\$16.0M

Annual Budget

## Capital Expense

\$7.3M YTD Budget

\$16.0M

Annual Budget

Capital revenue for the 91 Express Lanes of \$7.3 million was in line with the budget. Capital expenses of \$0.4 million underran the budget by \$6.9 million primarily due to amendment timing for the new Express Lanes Back-Office System (\$5.3 million). The amendment was executed late in the third quarter, and the variance will be resolved in the fourth quarter when anticipated invoices are paid. The remainder of the underrun was associated with the upgrade to the Electronic Toll and Traffic Management System. An invoice was received late in the third quarter, but will be paid in the fourth quarter, reducing this variance.

## Motorist Services Program



## Operating Revenue

\$5.6M YTD Budget

\$9.6M

Annual Budget

## Operating Expense

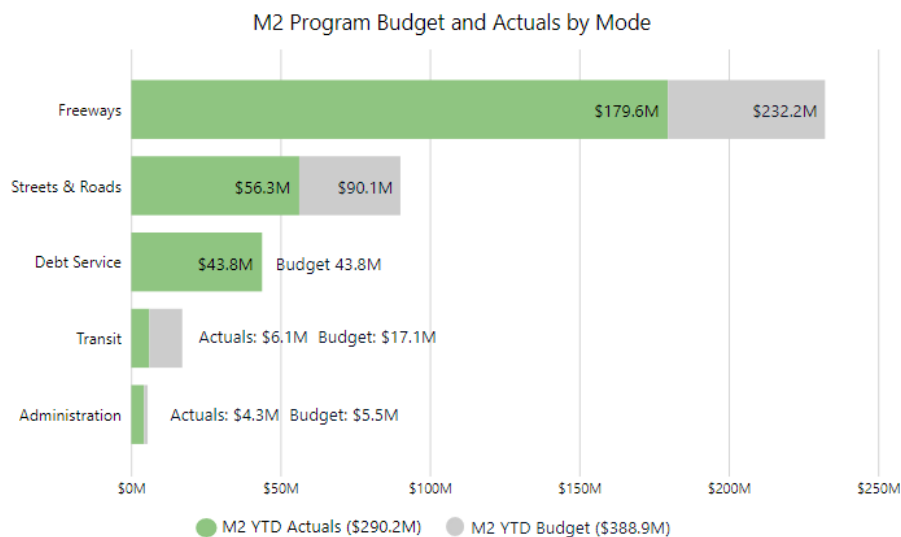
\$5.6M YTD Budget

\$9.6M

Annual Budget

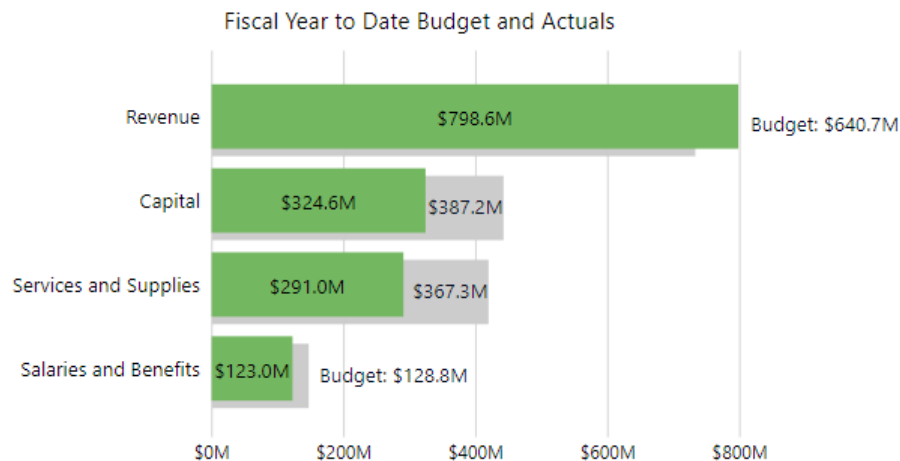
Motorist Services Program revenue of \$7.7 million exceeded the budget by \$2.1 million, which is the result of prior year operating revenue received in the current FY from the State of California for the Freeway Service Patrol (FSP) Program. Expenses for the program of \$4.5 million underran the budget by \$1.1 million primarily due to lower fuel cost for contracted tow service for the FSP Program (\$0.9 million). Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated. The remainder of the underrun (\$0.2 million) was the result of a California Highway Patrol dispatcher position to support FSP, which will not be paid by OCTA as originally anticipated. Due to availability of California fuel tax funds, the position will be paid for directly by the State.

### M2 Program



Total expenses for the M2 Program of \$290.2 million underran the budget by \$98.7 million, primarily due to lower than anticipated project payment requests from local jurisdictions for the Regional Capacity Program (\$30.9 million), Community-Based Transit Circulators Program (\$8 million), Regional Traffic Signal Synchronization Program (\$4.6 million), and Environmental Cleanup Program (\$4.2 million). Additionally, there were less construction and right-of-way (ROW) expenditures compared to the budget through the quarter for the Interstate 405 (I-405) Improvement Project (\$19.5 million), State Route 55 (SR-55) Widening Project from Interstate 5 (I-5) to I-405 (\$17.5 million), and I-5 Widening Project from State Route 73 to El Toro Road (\$8.9 million).

### Summary



Overall, revenue of \$798.6 million exceeded the budget by \$157 million, primarily due to the timing of grant revenue including CARES Act funds received based on corresponding expenses (\$75.9 million), greater than anticipated sales tax receipts (\$51.7 million), and earnings on cash reserves (\$23.4 million).

Capital expenses of \$324.6 million underran the budget by \$62.6 million, primarily due to less construction and ROW expenses compared to the budget for the I-405 Improvement Project and the SR-55, I-5, to I-405 project.

Services and supplies expenses of \$291 million underran the budget by \$76.3 million, primarily due to an underrun in contributions to local agencies based on less project payment requests for competitive M2 programs. Additionally, as-needed services and supplies across the programs contributed to the underrun.

Salaries and benefits of \$123 million underran the budget by \$5.8 million, due to vacancies, primarily in the coach operator and administrative groups.



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***Attachment***

A. FY 2020-21 Third Quarter Budget Status Summary

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