



October 27, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2020-21 Fourth 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 fourth 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 series of amendments through the fourth 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 ¹	2,355
9/14/2020	Bus Service Levels	(34,120)
9/14/2020	Healthcare	(931)
9/14/2020	LOSSAN Staffing - New Positions ²	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>
	Total Working Budget	\$ 1,540,686

¹CARES - Coronavirus Aid, Relief, and Economic Security

*in thousands

²LOSSAN - Los Angeles - San Diego - San Luis Obispo Rail Corridor

Discussion

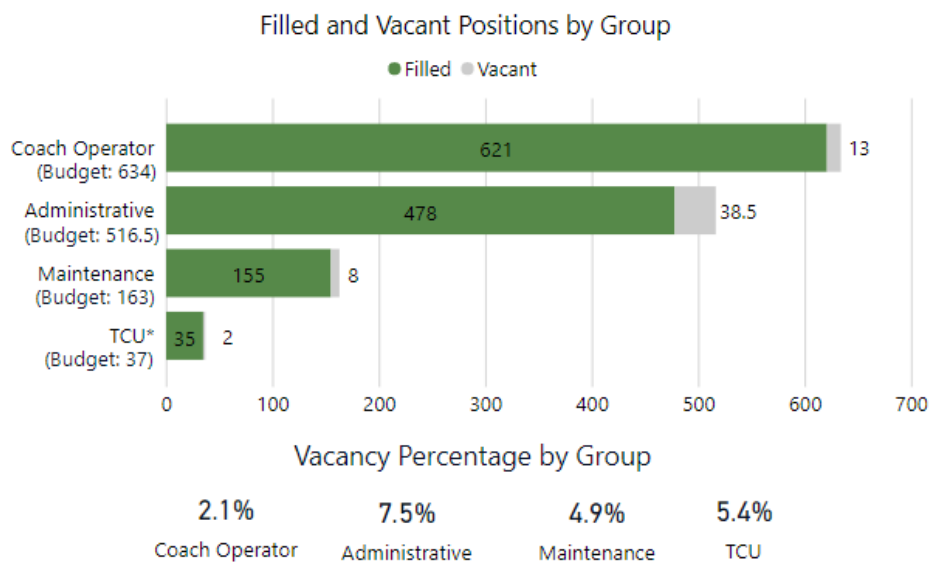
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express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

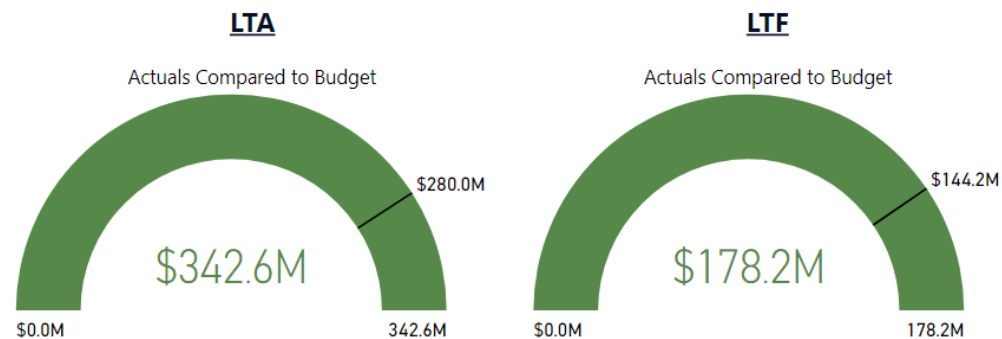
Total salaries and benefits underran the budget by \$19.1 million, primarily driven by vacancies throughout the FY (\$9.1 million). In addition, based on the Governmental Accounting Standards Board (GASB) Statement Number 68 report provided by the Orange County Employee Retirement System (OCERS), which requires that pension liability be recorded, OCTA recorded a \$10 million decrease in liability. The net impact of this adjustment, along with vacancies, created an underrun of \$19.1 million in salaries and benefits.



*TCU - Transportation Communications International Union

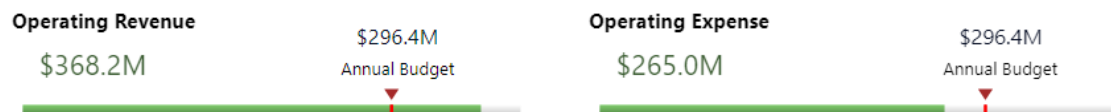
Sales Tax Receipts

The charts on the following page 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 \$342.6 million were \$62.6 million higher than the budget and LTF sales tax receipts of \$178.2 million were \$34 million higher than the budget. Although the budget included a forecasted decrease in sales tax, OCTA's receipts for sales tax increased eight percent and nine percent, respectively on a FY basis.



Major Programs

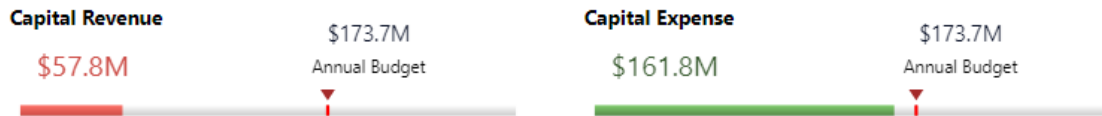
Bus Program



Bus Program operating revenue of \$368.2 million exceeded the budget by \$71.8 million, primarily due to the timing of CARES Act funds received to support operations (\$37 million). Additionally, higher than anticipated LTF sales tax revenue contributed \$34 million to the variance. Federal grant revenue for bus operations exceeded the budget by \$9.3 million due to the ability of staff to seek reimbursement for grant funds based on the timing of expenditures. These overruns were partially offset by underruns in fare revenue, Vanpool Program funds, and advertising revenue totaling \$6.4 million. These underruns were due to lower demand resulting from the coronavirus (COVID-19) pandemic.

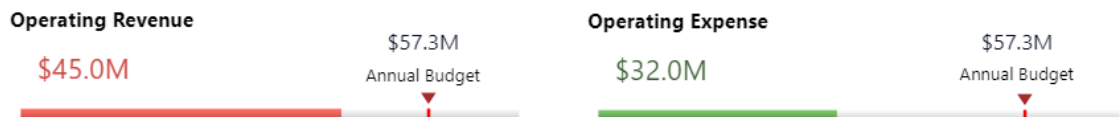
Bus Program operating expenses of \$265 million underran the budget by \$31.4 million, primarily due to salaries and benefits. The recording of an adjustment to decrease pension liability resulted in a \$10 million underrun. Vacancies for coach operators, maintenance workers, and bus operations administrative employees contributed \$6.7 million to the underrun. An underrun of \$6.1 million for OC ACCESS paratransit service was due to lower revenue vehicle hours compared to the budget. Through the end of the FY, approximately 275,000 hours were provided compared to 440,000 hours budgeted. An underrun of \$1.8 million resulted from emergency COVID-19 vaccine transportation support. The remainder of the underrun (\$3.8 million) is the result of as-needed items including 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. The Bus Program finished with an operating surplus of \$103.3 million. The combination of higher than anticipated sales tax receipts, updated sales tax forecasts, and federal stimulus funding will enable the bus program to reach pre-COVID-19 levels of bus service in the future.



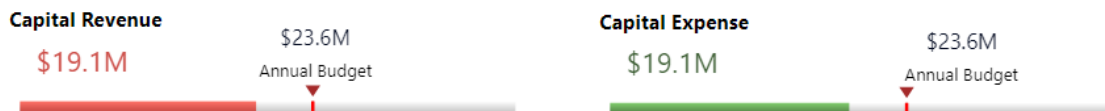
Bus Program capital revenue of \$57.8 million underran the budget by \$115.9 million primarily due to the timing of grant funds associated with the purchase of replacement buses. A contract to replace up to 165 40-foot buses was executed and encumbered in the first quarter. Revenue funds will be received on a reimbursement basis after expenses have been incurred and the buses delivered. Buses are anticipated to begin delivery in March 2022. Capital expenses of \$161.8 million underran the budget by \$11.9 million primarily due to lower costs per bus than anticipated for two contracts. The first was for the replacement of up to 165 40-foot buses, which underran by \$8.7 million. The second was for the purchase of ten heavy-duty battery electric buses, which underran by \$0.7 million. The remainder of the capital underrun was the result of project timing for multiple building improvement projects at OCTA bus bases and maintenance facilities. The projects had lower expenses in the FY, and items have been rebudgeted as necessary.

Rail Program



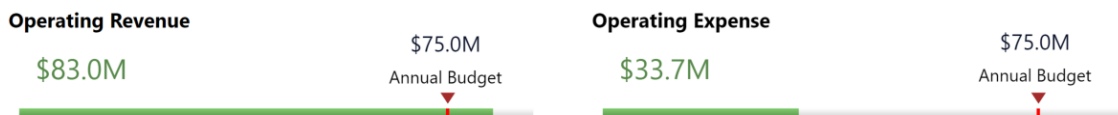
Rail Program operating revenue of \$45 million underran the budget by \$12.3 million, primarily due to lower grant funds received for the design of rail improvement projects including the Irvine Metrolink Station, and the Orange County Maintenance Facility. Grant funds are budgeted in the same FY as corresponding contract expenditures but are received on a reimbursement basis as expenditures are incurred. Operating expenses of \$32 million underran by \$25.2 million primarily due to contract execution timing for design of the Irvine Metrolink Station improvements (\$12.5 million). The contract negotiations with Metrolink have taken slightly longer than anticipated, and the funds have been

rebudgeted. Design of the Orange County Maintenance Facility improvements underran by \$4.2 million. The amount was budgeted as a precaution in the event the contract could not be executed in the prior FY, however it was successfully executed in the fourth quarter of the prior FY. Additionally, the Metrolink annual operating subsidy underran by \$2.6 million due to a credit for surplus operating subsidy funds from the prior FY. The Rail Program finished the FY with a \$13 million operating surplus.



Rail Program capital revenue of \$19.1 million underran the budget by \$4.5 million due to lower grant funds received for construction of the Anaheim Canyon Metrolink Station. Capital expenses of \$19.1 million underran the budget by \$4.5 million primarily due to construction phase expenses for the Laguna Niguel to San Juan Capistrano Passing/Siding Project. An amount of \$4.7 million was budgeted in the FY for as-needed construction and right-of-way expenses, however, only \$2.7 million was needed during the FY. The project is currently in the closeout phase. An additional underrun of \$1.6 million resulted from lower construction phase expenses for the Anaheim Canyon Metrolink Station Project. Due to contract negotiations, the construction phase began later in the FY than anticipated.

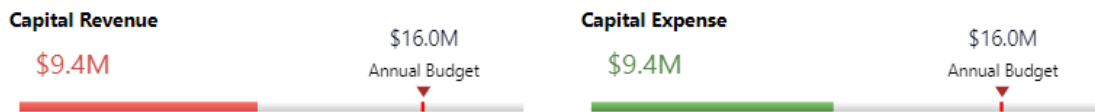
91 Express Lanes Program



The 91 Express Lanes Program operating revenue of \$83 million overran the budget by \$8 million, primarily resulting from larger than anticipated toll volumes. After budgeting conservatively due to the COVID-19 pandemic, volumes have rebounded faster than anticipated.

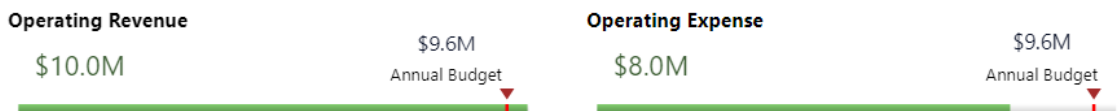
Operating expenses of \$33.7 million underran by \$41.3 million, primarily due to design expenses for the State Route 91 (SR-91) Widening Project, between Lakeview Avenue and State Route 57, and construction expenses for SR-91

widening, between the Orange County Line and State Route 241 (\$27.2 million). The expenditures did not occur as anticipated and have been rebudgeted in the next FY. An underrun of \$6.6 million resulted from as-needed expenses associated with toll road account servicing, project support, marketing, insurance, and legal services. Additionally, equipment maintenance underran due to the timing of expenses for the Toll Gantry Infrastructure Project (\$2.8 million). The project, led by the California Department of Transportation, was anticipated to be expensed throughout the FY. However, it began in the fourth quarter of the FY resulting in lower expenses compared to the budget. The 91 Express Lanes Program finished the FY with a \$4.2 million operating surplus.



Capital revenue for the 91 Express Lanes of \$9.4 million underran the budget by \$6.6 million due to lower capital expenses. Capital expenses of \$9.4 million underran the budget by \$6.6 million primarily due to lower vendor invoices in the FY for the new 91 Express Lanes Back-Office System (\$3.6 million) and upgrades to the Electronic Toll and Traffic Management System (\$2.7 million). For both projects, vendors did not have contract milestones completed by the end of the FY and were unable to submit invoices to OCTA. These items have been rebudgeted in the next FY.

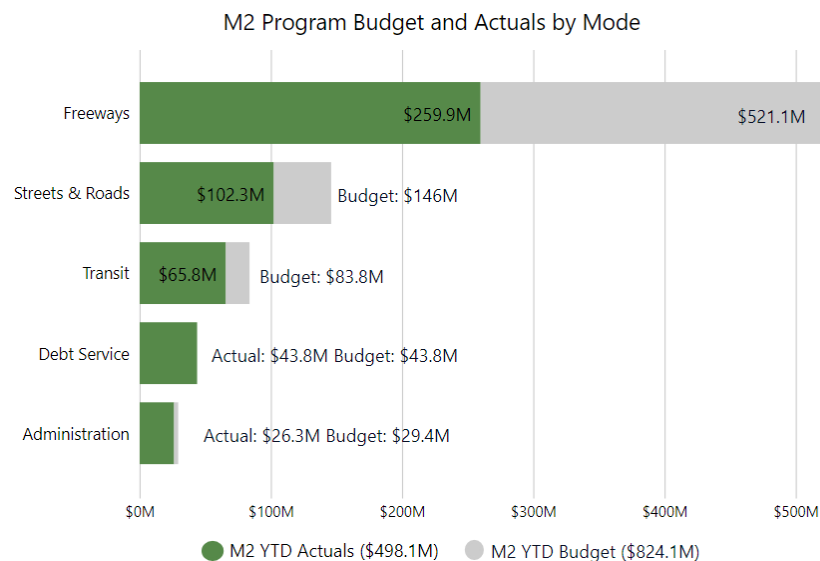
Motorist Services Program



Motorist Services Program operating revenue of \$10 million was aligned with the budget for the FY. Operating expenses for the program of \$8 million underran the budget by \$1.6 million primarily due to lower fuel cost for contracted tow service for the Freeway Service Patrol (FSP) Program (\$0.6 million). Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated. An underrun of \$0.4 million resulted from additional tow support vehicles budgeted for use along the Interstate 405 (I-405) Improvement Project area, and along the SR-91 Widening Project area near the Orange/Riverside County Line. Due to lower traffic volumes than anticipated, the additional tow support vehicles were not utilized. An underrun of \$0.4 million

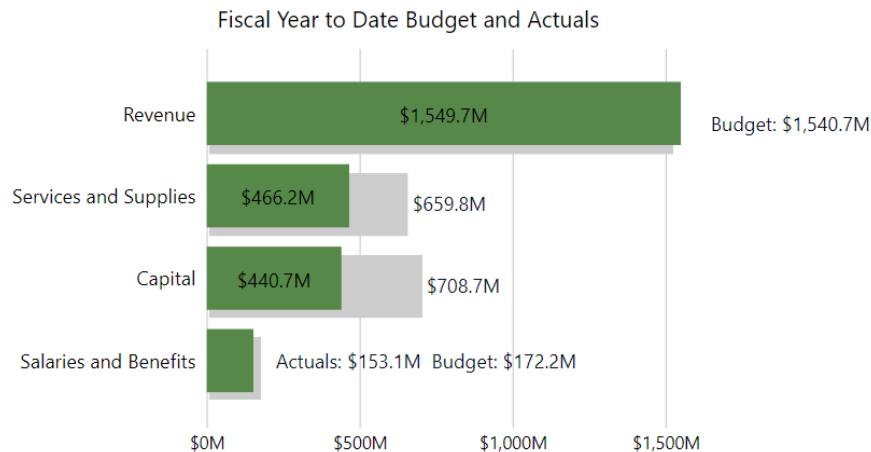
resulted from savings for call box upgrades. After the budget was developed, it was determined the upgrades could be accomplished under an existing vendor agreement in lieu of a new contract. The remainder of the underrun (\$0.2 million) was the result of a California Highway Patrol dispatcher position 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 \$498.1 million underran the budget by \$326 million, primarily due to less construction and right-of-way (ROW) expenditures compared to the budget through the quarter for the State Route 55 (SR-55) Widening Project, Interstate 5 (I-5) to I-405 (\$89.7 million), the I-5 Widening Project, from State Route 73 (SR-73) to El Toro Road (\$69.2 million), and the I-405 Improvement Project (\$52.4 million). Additionally, there were lower than anticipated project payment requests from local jurisdictions for the Regional Capacity Program (\$36.6 million), Regional Traffic Signal Synchronization Program (\$10.7 million), Community-Based Transit/Circulator Program (\$10.2 million), and Environmental Cleanup Program (\$4.6 million).

Summary



Overall, revenue of \$1.55 billion exceeded the budget by \$9 million, primarily due to greater than anticipated sales tax receipts (\$96.5 million), and the timing of grant revenue, including CARES Act funds received based on corresponding expenses (\$75.9 million). These were offset by an underrun of grant revenue associated with the purchase of replacement 40-foot buses, which is anticipated to be received in future years as the buses are expensed and delivered.

Capital expenses of \$440.7 million underran the budget by \$268 million, primarily due to less construction and ROW expenses compared to the budget for the SR-55, I-5 to I-405 Project, the I-5 Widening Project, from SR-73 to the El Toro Road, and the I-405 Improvement Project.

Services and supplies expenses of \$466.2 million underran the budget by \$193.6 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 all major programs contributed to the underrun.

Salaries and benefits expenses of \$153.1 million underran the budget by \$19.1 million, primarily driven by vacancies throughout the FY (\$9.1 million). However, based on the GASB Statement Number 68 report provided by OCERS, which requires that pension liability be recorded, OCTA recorded a \$10 million decrease in liability. The net impact of this adjustment, along with vacancies, created an underrun of \$19.1 million in salaries and benefits.

Attachment

A. FY 2020-21 Fourth Quarter Budget Status Summary

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