

**Orange County Transportation Authority
Proposed Reserve Policy Redlined Version
June 23⁴, 2025⁴**

ATTACHMENT A

OPERATING PROGRAMS RESERVES

Bus Program

Reserve	Target Amount
Short-Term Operating	60 days
Long-Term Operating	Not applicable
Capital	Fully fund capital expenditures through Capital Replacement Fund
Debt Requirements	Not applicable

The Orange County Transportation Authority (OCTA) maintains a fully funded Short-Term Operating Reserve (STOR) for the Bus Program. The Bus Program maintains a 60-day working capital balance, approximately \$50 million, to accommodate for unexpected short-term fluctuations in revenue and expenditures.

OCTA may utilize a Long-Term Operating Reserve (LTOR) in which funds can be set aside to support bus service levels into the future. This LTOR would be funded after both the STOR and Capital Replacement Fund (CRF) are fully funded. There is no target for the LTOR. These funds are to be drawn solely to support bus operations unless needed to fully fund the STOR or CRF.

OCTA maintains a CRF for the Bus Program, which is used to fund the rehabilitation and replacement of its capital assets. The CRF enables OCTA to pay for the rehabilitation and replacement of capital assets without the need for debt financing, which allows OCTA to avoid debt service expenditures and instead maximize the amount of revenue available for service. Funding for the CRF is determined through OCTA's Comprehensive Business Plan (CBP) and executed through the annual budget.

91 Express Lanes (91 EL)

Reserve	Target Amount
Operating	None
Capital	Fully fund capital expenditures through Capital Replacement Fund
Excess Revenue Policy	Freeway – 80 percent, Transit – 20 percent
Debt Requirements	
Debt Service	\$5,200,000
Operating	\$3,000,000
Capital	\$5,000,000

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The 91 EL has five reserve accounts which include two reserve accounts internal to OCTA and three reserve accounts required as part of the 91 EL outstanding debt. The two reserve accounts internal to OCTA are Board of Directors (Board)-approved and include a 91 EL CRF and a 91 EL Excess Revenue Fund (ERF). The 91 EL CRF is fully funded and used to fund the rehabilitation and replacement of the 91 EL capital assets without the need for additional debt financing. Like the Bus Program, funding for the 91 EL CRF is determined through OCTA's CBP on an annual basis.

In January 2014, the OCTA Board approved a policy for the use of 91 EL ERF. The 91 EL ERF is to be used to fund future State Route 91 (SR-91) corridor improvements. The 91 EL excess revenues, defined as revenues available after debt service, operations, maintenance, capital, and administration costs are paid, are to be allocated 80 percent for freeway projects and 20 percent for transit projects or services. The 80/20 allocation is to be achieved by 2030. The Board has already set aside \$14.3 million of excess revenues to help fund the Placentia Metrolink Station. In November 2017, the Board approved the Next 10 Delivery Plan which included the utilization of up to \$748.7 million in excess revenues to be used on a pay-as-you-go basis for two Measure M2 (M2) freeway projects in the SR-91 corridor.

Three reserve accounts are required as part of the 91 EL outstanding debt to protect bondholders. The three reserve accounts are held in trust for the benefit of the repayment of the bonds and include a debt service reserve fund (\$5.2 million), an operating reserve (\$3.0 million), and a capital reserve (\$5.0 million). Each of the reserve accounts is fully funded and will remain so until the debt is retired.

405 Express Lanes (405 EL)

Reserve	Target Amount	Estimated Contribution Start Date
Operating	To be determined	Not applicable
Capital	To be determined	Not applicable
Debt Requirements		
Debt Service	Fluctuates based on amount of monthly debt service	6/1/2025
Operations & Maintenance	Fluctuates annually: formula based on annual operating budget	12/1/2024
Major Maintenance	Fluctuates annually: formula based on operating budget and forecasted maintenance expenditures	5/30/2028

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OCTA anticipates the 405 EL will have up to two internal reserve accounts (established and held by OCTA), as well as three reserve accounts required due to outstanding debt to be held by the trustee. The type and amount of the internal reserve accounts will be determined at a future date as OCTA evaluates the available revenue to fund the accounts based on first satisfying the loan requirements from the outstanding debt. As an example, OCTA is required to deposit all excess revenue, after satisfying the requirements of the other reserve funds, into a Distribution Lock-Up fund for the first five years of operations. The internal reserve accounts will be included within this policy and brought to the Board for consideration.

The 405 EL will have a Transportation Infrastructure Finance and Innovation Act loan with the United States Department of Transportation that will be repaid with 405 EL toll revenue. The loan will require three reserve accounts to be created within set time periods following substantial completion of the project. The three accounts include a debt service reserve fund, operations and maintenance reserve fund, and a major maintenance reserve fund. Each reserve fund has a formula defined within the loan agreement for the amount required.

Motorist Services Program

Reserve	Target Amount
Operating	60 days
Capital	None
Debt Requirements	Not applicable

The Motorist Services Program supports the Freeway Service Patrol (FSP), Freeway Callbox, and 511 Programs. Revenue to support the three programs comes primarily from vehicle registration fees and funding from the State Highway Account (SHA). In addition to those funding sources, the FSP does receive additional funding from the M2 Program and the Road Repair and Accountability Act (RRAA). Both the SHA and RRAA funds are received annually on a reimbursement basis.

The FSP is the largest operating program of the Motorist Services Programs and is used to fund private tow truck companies that patrol freeways to assist stranded motorists. OCTA maintains a 60-day operating reserve to ensure adequate reserves to cover unforeseen impacts to FSP revenue or expenses and to allow for fluctuations in the timing of the revenue reimbursement for the SHA and RRAA revenues. A 60-day operating reserve is approximately \$1.4 million. Due to the small nature of the capital expenditures for the three programs, a capital reserve is not deemed necessary to support ongoing capital requirements.

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OC Streetcar

Reserve	Target Amount
Operating	To be determined
Capital	To be determined
Debt Requirements	Not applicable

OCTA also anticipates the OC Streetcar will have internal reserve accounts that will be established and held by the OCTA similar to the Bus Program. The type and amount of the internal reserve accounts will be determined in the future and will be included within this policy and brought to the Board for consideration.

ADMINISTRATIVE FUNDS RESERVES

General Liability Reserve

OCTA has an established reserve to fund outstanding claims and estimated future claims associated with personal liability and property damage claims.

Reserve	Target Amount
<u>General</u> Liability	Minimum amount <u>is \$25 million</u> plus the amount to be based on annual actuarial review

Worker's Compensation Reserve

OCTA has an established reserve to fund outstanding claims and estimated future claims associated with workers' compensation claims.

Reserve	Target Amount
Workers' Compensation	Minimum amount to be based on annual actuarial review

Additional Retiree Benefit Account Reserve

OCTA has an established reserve to fund existing and future expenditures associated with the Additional Retiree Benefit Account (ARBA).

Reserve	Target Amount
ARBA	Minimum amount to be based on biennial actuarial review

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Future Updates to the Reserve Policy

Reserve targets are reviewed during OCTA's annual process of updating and analyzing the cash flows for each of OCTA's programs and services. OCTA will bring any future recommended changes to this policy to the Board for consideration.