



June 8, 2026

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Public Hearing on Orange County Transportation Authority's Fiscal Year 2026-27 Budget and Personnel and Salary Resolution

Overview

The Orange County Transportation Authority Fiscal Year 2026-27 Proposed Budget presents a balanced plan of sources and uses of funds while providing for the current and future transportation needs of Orange County. The proposed budget continues to strengthen the Orange County Transportation Authority's long-term financial sustainability by maintaining a structurally balanced plan with no unplanned use of reserves, while advancing the Board of Director's Strategic Initiatives and delivering reliable transportation services.

The Board of Directors may approve the Orange County Transportation Authority Fiscal Year 2026-27 Proposed Budget following the public hearing to be held at the Board of Directors' meeting on June 8, 2026, at the following Board of Directors meeting on June 22, 2026, or in a special meeting convened at their discretion, on or before June 30, 2026. The Board of Directors are also asked to approve the Personnel and Salary Resolution as part of the budget approval process.

Recommendations

- A. Approve by Resolution the Orange County Transportation Authority Fiscal Year 2026-27 Budget.
- B. Approve the Personnel and Salary Resolution for fiscal year 2026-27.
- C. Approve the update to the Policy for Compensation, Benefits, Reimbursement of Expenses and Mandatory Training for Members of the Board of Directors.

- D. 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.
- E. Approve up to \$14.5 million for the fiscal year 2026-27 Orange County Transportation Authority contribution to the Southern California Regional Rail Authority operating subsidy to support Metrolink service through the first quarter of the fiscal year. Funding for operations, as well as capital and rehabilitation expenditures for the remainder of the fiscal year, is contingent upon a formal budget request from Metrolink and approval by the Orange County Transportation Authority Board of Directors, and concurrence from all member agencies.

Background

The development of the Orange County Transportation Authority's (OCTA) Fiscal Year (FY) 2026–27 Proposed Budget began in December 2025 and reflects a comprehensive planning effort grounded in OCTA's mission, strategic priorities, and long-term financial management, with a continued focus on sustaining core programs through stable and growing revenues. Initial steps included the development of revenue projections, service plans, and program-specific goals and objectives, all developed in alignment with the direction of the Board of Directors (Board) and the Chief Executive Officer (CEO).

In January 2026, each division submitted detailed budget requests based on their operational needs and strategic objectives. These submissions underwent multiple layers of internal review to ensure fiscal discipline and alignment with agency-wide goals. An internal budget review committee, appointed by the CEO and consisting of the Deputy CEO, Chief Financial Officer, and the Executive Director of People and Community Engagement, conducted an evaluation of the proposed budget to ensure it reflects a balanced, efficient, and strategically aligned financial plan. The committee assessed requests for consistency with the Board's priorities, the CEO's goals, OCTA's Strategic Plan Initiatives, the Comprehensive Business Plan, and the Next 10 Delivery Plan.

Key programmatic assumptions supporting the FY 2026-27 proposed budget were presented to the Finance and Administration (F&A) Committee on March 19, 2026, and the Board on March 23, 2026. The presentation outlined the guiding principles and financial assumptions that form the foundation of the proposed budget across OCTA's core program areas, including

Measure M2 (M2), transit operations, motorist services, and the express lanes program.

An informational budget workshop was conducted for the Board on May 11, 2026. During the workshop, staff provided an overview of the proposed budget, including agency-wide goals and objectives, the staffing plan, and the anticipated sources and uses of funds. The workshop was designed to provide Board Members with a comprehensive understanding of the proposed financial plan; however, no formal action or public hearing occurred at that time.

A public hearing on the FY 2026-27 proposed budget is scheduled for the June 8, 2026, Board meeting. Following the public hearing, staff will request formal approval of the proposed budget by the Board. The adopted budget will serve as the agency's financial blueprint for the coming FY, supporting delivery of high-quality and efficient transportation services for Orange County residents and commuters.

Discussion

The proposed budget presents a balanced financial plan, detailing the sources and uses of funds. It reflects a judicious mix of new revenues and the strategic use of previously designated funds, ensuring fiscal stability without resorting to deficit spending. Previously designated funds, also known as planned uses of prior year designations, are funds set aside (designated) in prior FYs to be utilized in the current FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$2,049.7 million, while proposed expenditures and designations yield a total use of funds of \$2,049.7 million. On a year-over-year comparison to the FY 2025-26 approved budget, the proposed budget is \$310.5 million more than the FY 2025-26 approved budget.

In FY 2026-27, the growth rate for the M2 Program one-half-cent Local Transportation Authority sales tax revenue is forecasted to be 2.2 percent. The growth rate for the one-quarter-cent Local Transportation Fund sales tax revenue is forecasted to be 2.3 percent. These growth rates were provided by MuniServices, LLC forecasts based on the Board-approved sales tax forecasting methodology.

The proposed M2 Program budget outlines a clear plan to enhance transportation infrastructure across the County while delivering on the M2 Next 10 Delivery Plan. It prioritizes major freeway improvements on

State Route 91, State Route 55, and Interstate 5, alongside continued investment in local and regional streets, roads, and transit services, including Community-Based Transit Circulators and the Senior Mobility Program. The budget also reaffirms OCTA's commitment to supporting local jurisdictions and the County through sustained funding for key programs such as the Local Fair Share Program, Regional Capacity Program, and Regional Traffic Signal Synchronization Program, ensuring continued progress and coordination on critical transportation projects.

The proposed budget presents a structured plan for transit services with a strong emphasis on sustainability. For the OC Bus Program, it provides 1.62 million service hours, with approximately 60 percent operated directly by OCTA and the remaining 40 percent delivered by contractors. It also includes continued investment in paratransit buses and bus base infrastructure.

Under the Rail Program, the proposed budget maintains support for local, regional, and coastal rail improvements. For FY 2026-27, OCTA has set a target for Metrolink's operating subsidy not to exceed \$46 million to help ensure the long-term financial sustainability of rail operations through 2041, contingent upon Board approval of an acceptable service plan and funding commitments from all member agencies. In addition, the budget prioritizes coastal rail resiliency and reliability to protect critical infrastructure and maintain uninterrupted service.

The express lanes budgets projects strong performance from the 91 Express and 405 Express Lanes. Continued growth in toll revenue is anticipated which will enable the express lanes to meet operating, capital and reserve service requirements while continuing to meet the goal of maximizing throughput along the corridors. These projections reflect OCTA's ongoing commitment to meeting express lanes obligations while effectively managing congestion and supporting regional mobility.

In terms of staffing, the budget includes a total of 1,407 positions, reflecting a net increase of 28 positions to support operational needs and service delivery. The increase is a net figure based on an increase of 13 administrative positions and an increase of 15 coach operator positions.

The 13 administrative positions support operational needs and program delivery. Of these, 11 positions were previously identified as necessary in FY 2024-25 but were strategically deferred pending stabilization of sales tax revenues. With improved sales tax collections, these positions plus two additional positions are now being brought forward for approval to ensure adequate staffing and continued progress on key initiatives.

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Staff have 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
Transit Committee	May 14
Legislative and Communications Committee	May 21
Finance and Administration (Preview of Public Hearing)	May 21
Executive Committee	June 1
Regional Transportation Planning Committee	June 1

Personnel and Salary Resolution (PSR)

The FY 2026-27 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 four percent special performance award (bonus) pool. The PSR also includes an adjustment of two-and-a-half percent to the maximum salary for each salary grade. Salary grade adjustments do not automatically increase employee salaries unless they fall below the minimum of the new range. Currently, there are 23 OCTA employees that fall below the proposed minimum grade range, which would require an automatic salary increase totaling \$36,941. The 23 employees represent approximately 1.6 percent of OCTA's total workforce of 1,407 employees.

Update to the Policy for Compensation Benefits, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors

Attachment D is an update to the Policy for Compensation, Benefits, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors. The update reflects a change in state law relating to record keeping for Board Members and clarifying language regarding mandatory training.

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 for after hours, weekends, and holidays. The Switch Ltd. vendor listed on the sole source list provides data center colocation services for the hosting of OCTA's mission critical business application computing infrastructure. Though other firms offer this service, OCTA included them on the sole source list based upon the criticality of their services in providing the facility for operating our business applications, as well as them being the leader in the industry in providing colocation data center services.

On a cumulative basis, the software and hardware licensing, maintenance, and emergency support agreements will not exceed \$20.4 million. A list of the agreements is included as Attachment E.

Metrolink FY 2026-27 Proposed Budget

Under the Joint Powers Agreement that governs Metrolink, each member agency must approve its financial contribution to the Metrolink proposed budget. OCTA's FY 2026-27 proposed budget includes funding of up to \$14.5 million for Metrolink operating service, intended to support operations through the first quarter of the FY.

OCTA is not proposing funding for SCRRA capital or rehabilitation expenditures. Funding for the remainder of FY 2026-27 for operations as well as capital or rehabilitation expenses are contingent upon Metrolink providing a revised service plan that is acceptable to OCTA and subsequently reviewed and approved by the OCTA Board, as well as approval by all member agencies.

Summary

The Orange County Transportation Authority Fiscal Year 2026-27 Proposed Budget reflects a balanced and forward-looking financial plan that supports delivery of Measure M2 commitments, maintains safe and reliable OC Bus service, aligns Metrolink operations with demand, fulfills express lanes commitments, and prioritizes coastal rail resiliency, ensuring the continued delivery of efficient and effective transportation solutions for Orange County.

The proposed budget was previously reviewed by the Board of Directors in a workshop setting on May 11, 2026, providing an opportunity for discussion of key assumptions, priorities, and program investments. The Board of Directors may approve the Orange County Transportation Authority Fiscal Year 2026-27 Proposed Budget following the public hearing on June 8, 2026, at the regularly scheduled meeting on June 22, 2026, or in a special meeting convened at their discretion, on or before June 30, 2026.

Attachments

- A. Resolution of the Board of Directors for the Orange County Transportation Authority Approving an Operating and Capital Budget Fiscal Year 2026-27
- B. Orange County Transportation Authority Budget Summary Fiscal Year 2026-27
- C. Proposed Changes for the Personnel and Salary Resolution (PSR) Fiscal Year 2026-27
- D. Update to the Policy for Compensation, Benefits, Reimbursement of Expenses, and Mandatory Training for Members of the Board of Directors
- E. Orange County Transportation Authority Licensing and Maintenance Agreements Sole Source List - Fiscal Year 2026-27

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