



June 26, 2024

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2023-24 Third Quarter Budget Status Report

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2023-24 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2023-24.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2023-24 Budget on June 12, 2023. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as approved by the Board in June was \$1.69 billion. Sources of funds were comprised of \$1.304 billion in current FY revenues and \$395 million in use of prior year designations. Uses of funds were comprised of \$1.651 billion of current FY expenditures and \$48 million of designations.

The Board has approved two amendments through the third quarter, increasing the expense budget by \$23.5 million. This increased the budget to \$1.722 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2023	Adopted Budget	\$ 1,698,470
10/9/2023	Independent Financial Audits of OCTA	965
11/27/2023	San Juan Creek Bridge Replacement Project	22,578
	<i>Subtotal Amendments</i>	23,543
	Total Working Budget	\$ 1,722,013

*in thousands

Discussion

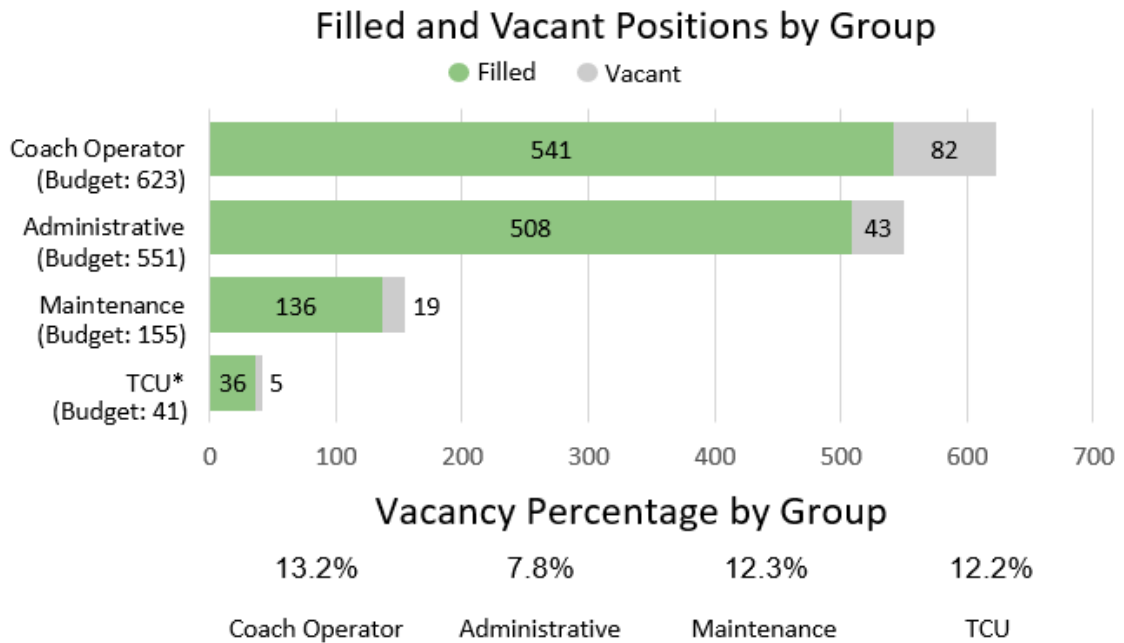
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist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

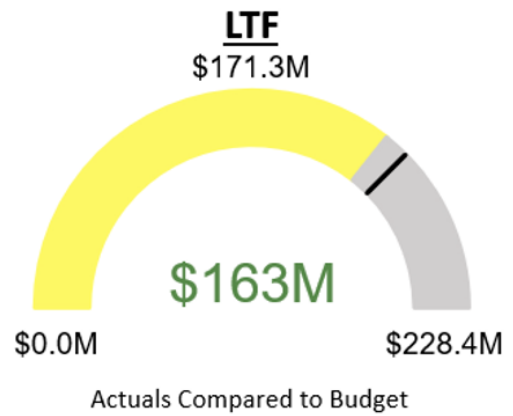
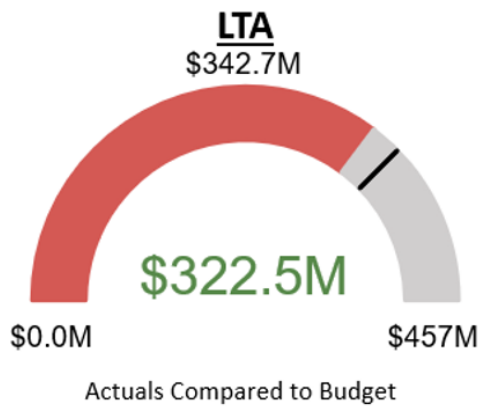
Total salaries and benefits were \$18.6 million under the budget of \$161.2 million. This is primarily due to staffing vacancies agency-wide and a one-time deferred compensation reconciliation payment, in the amount of \$8 million, that was budgeted for in FY 2023-24 but was expensed in FY 2022-23.



*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. Sales tax receipts underperformed the budget through the third quarter. LTA sales tax receipts of \$322.5 million were \$20.2 million lower than the budget and LTF sales tax receipts of \$163 million were \$8.3 million lower than the budget. While both the LTA and LTF sales tax figures are below budget for the third quarter of the FY, sales tax collections for both increased during the third quarter. LTA sales tax receipts increased by 1.7 percent and LTF sales tax receipts increased by 1.6 percent. The third quarter growth in LTA and LTF sales tax ended a three consecutive quarter decline in sales tax receipts. This is an area that staff will continue to monitor through the fourth quarter.

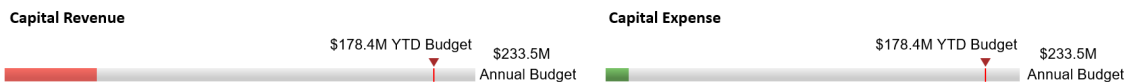


Major Programs

Bus Program



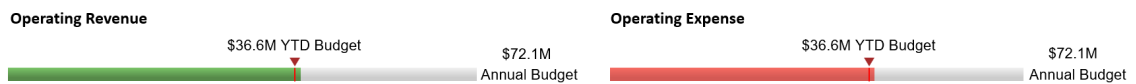
Bus Program operating revenue of \$296.3 million was within one percent of the budget. Bus Program operating expenses of \$207 million were \$37.8 million under the budget. Staffing vacancies in the Coach Operator and Administrative groups as well as the deferred compensation reconciliation payment contributed \$12.4 million to the underrun. In addition, there was an underrun of \$25.4 million primarily due to lower than anticipated expenditures on contracted services as well as recurring as-needed services and supplies, such as fuel, maintenance parts, and marketing efforts, which can vary based on need.



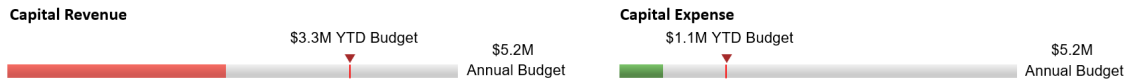
Bus Program capital revenue of \$38.1 million was \$140.3 million lower than budget. This is due to capital revenue being tied to capital expenses which came in lower than anticipated. Bus Program capital expenses were \$167.7 million lower than the budget of \$178.4 million primarily due to the timing of the procurement of fixed route and paratransit vehicles, in the amount of \$102 million, which have been postponed until FY 2024-25. Additionally, the Transit Security and Operations Center (TSOC) project, in the budget for

\$53.9 million, is in the process of procurement with expenditures anticipated to begin in FY 2024-25.

Rail Program

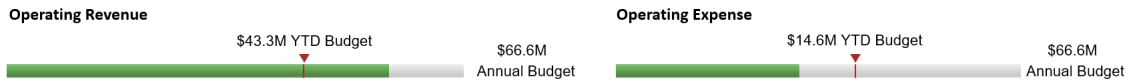
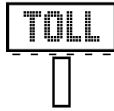


Rail Program operating revenue ties directly to the operating expense. Both operating revenue and expense of \$37.4 million were \$0.8 million higher than the budget. This was primarily due to the timing of payments for additional work needed for the Cyprus Shore slope emergency rehabilitation and is anticipated to align to the budget by year-end.



Rail Program capital revenue of \$2.1 million was \$1.2 million lower than budgeted. This was primarily due to less than anticipated revenue reimbursements based on lower capital expenses through the third quarter as well as the timing of reimbursements that were budgeted in the third quarter but received in the fourth quarter. Rail capital expenses came in \$0.7 million lower than budgeted. This was due to less than anticipated close out costs for the Anaheim Canyon Metrolink Station project through the third quarter. As the project progressed staff identified that less than anticipated work was needed resulting in a lower use of funds.

91 Express Lanes Program

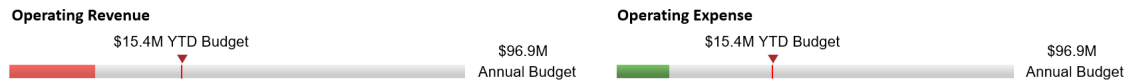
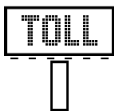


The 91 Express Lanes Program operating revenue of \$55.7 million exceeded the budget by \$12.4 million, primarily due to higher trip volumes than anticipated during budget development. The overrun is anticipated to continue through the FY. Operating expenses of \$11.2 million were \$3.4 million lower than the budget of \$14.6 million, primarily due to the invoicing and timing of maintenance services and investment management services.



The 91 Express Lanes Program capital revenue and expenses of \$1.1 million came in \$1.3 million under budget. This was primarily due to the Electronic Toll and Traffic Management system, systems maintenance and support, and the back-office system work not occurring at the time that was originally anticipated. This timing difference was due to the need to prioritize the opening of the 405 Express Lanes project. These items have been rebudgeted in FY 2024-25.

405 Express Lanes Program



The 405 Express Lanes Program operating revenue of \$7.6 million underran the budget by \$7.8 million, primarily due to Express Lanes service beginning in December but budgeted to begin in October. Similarly, operating expenses of \$5.1 million were \$10.3 million lower than the budget of \$15.4 million, primarily due to Express Lanes service beginning later than budgeted coupled with the timing of invoices for the toll road management contract, as well as professional and maintenance services.

Motorist Services Program

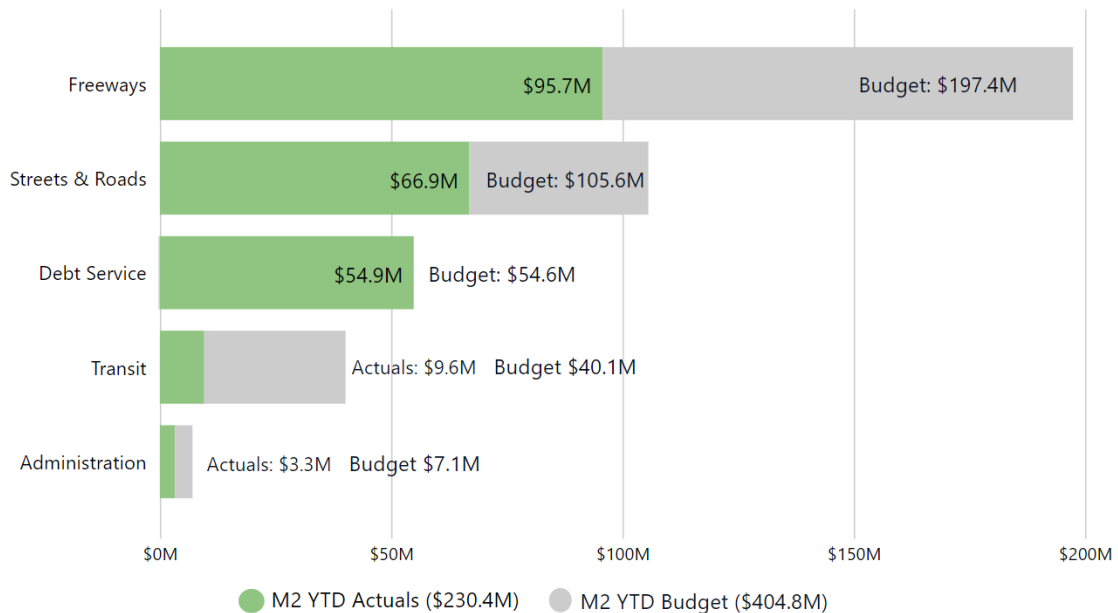


Motorist services operating revenue and expense of \$6.2 million underran the budget by \$1.1 million. The underrun in expense is based on the timing of invoices and lower than budgeted contracted tow service costs for Freeway Service Patrol. The underrun in revenue is directly tied to the amount of revenue needed to fund expenditures.

M2 Program



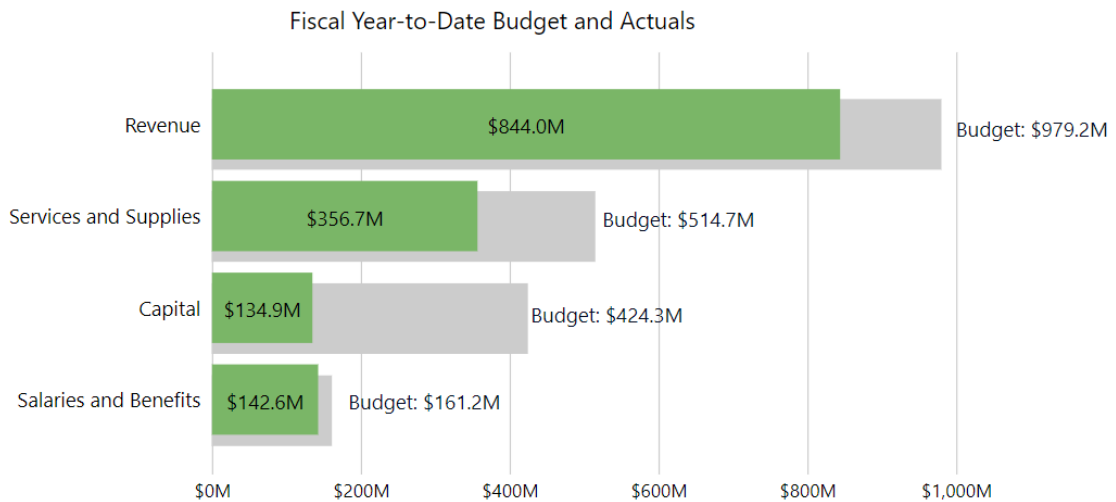
M2 Program Budget and Actuals by Mode



Total actual expenses for the M2 Program of \$230.4 million underran the budget by \$174.4 million, primarily due to the timing of construction and right-of-way (ROW) payments for freeway projects including the State Route 55 (SR-55) freeway improvements (\$58.7 million) and Interstate 5 (I-5) freeway project (\$49.6 million). Additionally, the San Juan Creek

Bridge replacement also contributed to the underrun (\$22.4 million) due to Metrolink awarding the contract later than anticipated. Lastly, lower than anticipated contributions to the county and cities for the Regional Capacity Program (\$24.1 million) and Regional Traffic Signal Synchronization (\$13.5 million) contributed to the underrun.

Summary



Overall, revenue of \$844 million was \$135.2 million under budget. This is primarily due to capital revenue being tied to capital expenses which came in lower than anticipated for the timing of the procurement of fixed-route and paratransit vehicles, as well as the design and construction of the TSOC, which have been rebudgeted in FY 2024-25.

Operating expenses of \$356.7 million were \$158 million under budget, primarily due to the timing of expenses for freeway services, contributions to the county, cities, and local agencies for the Regional Capacity Program, San Juan Creek Bridge and Regional Traffic Signal Synchronization. Additionally, contracted services, as-needed services and supplies, and paratransit services contributed to the underrun.

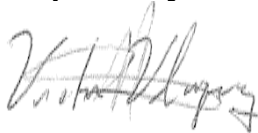
Capital expenses of \$134.9 million were \$289.4 million under budget, primarily due to the timing of construction and ROW expenses for the SR-55 Improvements and I-5 Santa Ana Project. In addition, the timing of procurement of revenue vehicles and the design and construction of the TSOC also contributed to the underrun.

Salaries and benefits of \$142.6 million underran the budget by \$18.6 million. This was primarily due to staffing vacancies in the coach operator and administrative groups as well as a one-time deferred compensation reconciliation payment, in the amount of \$8 million that was budgeted in FY 2023-24 but was expensed in FY 2022-23.

Attachment

- A. FY 2023-24 Third Quarter Budget Status Summary

Prepared by:



Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649