



***April 24, 2024***

**To:** Finance and Administration Committee

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

**Subject:** Orange County Transportation Authority Fiscal Year 2024-25 Budget Workshop Preview

***Overview***

The Orange County Transportation Authority is developing the fiscal year 2024-25 proposed budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The fiscal year 2024-25 proposed budget will be reviewed in detail during an informal workshop following the May 13, 2024, Orange County Transportation Authority Board of Directors meeting.

***Recommendation***

Review the fiscal year 2024-25 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 13, 2024.

***Discussion***

The preparation of the Orange County Transportation Authority's (OCTA) Fiscal Year (FY) 2024-25 proposed budget (proposed budget) began in December 2023 with the development of revenue and expense projections as well as goals for each of OCTA's programs and services. The goals for each of the programs and services included in the proposed budget are consistent with OCTA's Strategic Plan, Comprehensive Business Plan, Next 10 Delivery Plan, and the Board of Directors (Board) and Chief Executive Officer (CEO) 2024 Initiatives.

Each of OCTA's divisions submitted their proposed budget requests in January, which were then subject to internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement, to ensure a balanced and fiscally responsible budget is delivered.

The development of the proposed budget was predicated on a set of programmatic assumptions discussed with the Finance and Administration Committee on February 28, 2024, that support the 2024 Board and CEO Initiatives. This discussion encapsulated the fundamental principles and assumptions guiding the budgeting process for key OCTA programs, including Measure M2 (M2), bus, commuter rail, local rail, motorist services, and express lanes.

In the face of a cautious economic climate, we are observing some potential pivotal developments in our financial landscape. One of the more concerning trends is the softening of sales tax receipts over the last three quarters and the awareness of the California state budget deficit. However, even amidst economic caution, our financial position remains stable. The strong reserve levels OCTA has maintained, in alignment with the Board-approved reserve policy, are the result of thoughtful financial stewardship and puts OCTA in a good position heading into uncertain economic times. These reserves act as a safeguard against unexpected economic fluctuations, ensuring that our essential M2 projects and transportation services continue to receive the support they need even as we navigate these cautious economic times.

Looking specifically at our M2 Program half-cent Local Transportation Authority (LTA) sales tax revenue, the FY 2024-25 projections are cautiously optimistic. The growth rate for the M2 Program half-cent LTA sales tax revenue is forecasted to be 3.3 percent over FY 2023-24 year-end estimates. Similarly, the growth rate for the quarter-cent Local Transportation Fund sales tax revenue, primarily supporting the bus program, is anticipated to be 3.1 percent over FY 2023-24 year-end estimates. These figures are projections provided by MuniServices, LLC and are based on the Board-approved sales tax forecasting methodology.

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 \$1,759.5 million, while proposed expenditures and designations yield a total use of funds of \$1,759.5 million. On a year-over-year comparison to the FY 2023-24 approved budget, the proposed budget is 3.6 percent, or \$61 million, more than the FY 2023-24 approved budget.

The proposed budget for the M2 Program delineates a clear roadmap for the enhancement of transportation infrastructure across our cities and County. This includes executing the M2 Next 10 Delivery Plan as pledged, ensuring that vital projects remain on course. The M2 Program supports ongoing enhancements in freeways, streets, and roads, while also channeling funds towards vital transit initiatives.

Significant funding is allocated for freeway improvements, particularly on State Routes 55 and 91 and Interstate 5, reflecting our promise to deliver on the M2 Next 10 Delivery Plan. Additionally, there is continued investment in both local and regional traffic infrastructure, which includes transit programs that are essential to the fabric of our public transportation system, like Metrolink and the OC Streetcar.

The proposed budget extends OCTA's commitment to ensuring that funding for cities and the county stays on track, not just through the Local Fair Share Formula Program but also via the competitive Regional Capacity Program and the Regional Traffic Signal Synchronization Program. This approach guarantees that funds are distributed equitably and strategically, supporting a broad spectrum of projects, and sustaining the momentum of infrastructure improvements throughout the County.

The proposed budget outlines an ambitious plan for transit services, with a clear focus on enhancements, sustainability, and resilient operations. For the OC Bus Program, the proposed budget allocates 1.52 million service hours, with a distribution that sees approximately 60 percent of these hours directly operated by OCTA and the remaining 40 percent provided by contractors. This is in line with plans to continue to bolster the OC Bus service by increasing service levels by three percent, thereby improving accessibility and convenience for commuters.

Under regional rail, the proposed budget is designed to support the Metrolink rail optimization model. Service levels are expected to align with Metrolink's optimized service plan, showcasing a drive for efficiency and enhanced service delivery. For local rail, the proposed budget includes funding for the OC Streetcar commencement of pre-revenue activities signaling the near readiness for operational service.

Sustainability and resiliency focus is also a cornerstone of the proposed budget, with ongoing investments in zero-emission buses and related infrastructure. It demonstrates a commitment to greener public transit options and a forward-thinking approach to environmental stewardship. Moreover, the

continuation of coastal rail resiliency planning positions the transit system to better withstand future environmental challenges.

The express lanes demonstrate solid performance with the 91 Express Lanes continuously meeting commitments, reflecting the effectiveness of existing traffic management strategies. The proposed budget expects a 0.6 million trip increase in traffic volumes, reaching 20.1 million trips as a result of stabilized traffic patterns and inflation. The 405 Express Lanes, having opened in December 2023, are forecasted to see 109 million trips in their first full FY, aligning closely with projections.

With Board direction, staff will present the proposed budget in detail in an informal workshop setting on May 13, 2024. The presentation will include a discussion of specific program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the proposed budget at the meeting. A public hearing for the proposed budget is scheduled to occur at the June 10, 2024, Board meeting, after which staff anticipates seeking Board approval of the proposed budget.

### ***Summary***

A detailed proposed budget workshop is scheduled for the Board on May 13, 2024, during the OCTA Board meeting. This session aims to provide the Board with comprehensive information on the proposed budget. No public hearing or voting will occur at this meeting. A subsequent public hearing and the anticipated budget approval will take place during the June 10, 2024, Board meeting.

### ***Attachment***

- A. Orange County Transportation Authority Fiscal Year 2024-25 Budget Workshop Preview

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