



May 8, 2023

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Fiscal Year 2023-24 Budget Workshop

Overview

The Orange County Transportation Authority is developing the fiscal year 2023-24 budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail in an informal workshop following the May 8, 2023, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Review the fiscal year 2023-24 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 8, 2023.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2022, with the development of initial revenue projections, a service plan, and program goals and objectives for the upcoming fiscal year (FY). Through sound financial planning, OCTA is in a strong position to propose a budget that has the flexibility to adapt to increased demand for services and programs. The service plan, program goals, and objectives included in the budget are in accordance with those of the Board of Directors (Board) and Chief Executive Officer (CEO).

Each division developed and submitted its budget requests in January, which were subject to successive 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 consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next 10 Delivery Plan.

The development of the FY 2023-24 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration Committee on April 12, 2023. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs, including Measure M2 (M2), bus, regional rail, local rail, motorist services, and Express Lanes.

In FY 2023-24, the growth rate for the M2 Program half-cent Local Transportation Authority sales tax revenue is forecasted to be 2.6 percent. The growth rate for the Local Transportation Fund sales tax revenue, which is used primarily to support bus operations, is forecasted to be 1.9 percent. These growth rates were provided by MuniServices, LLC forecasts based on the Board-approved sales tax forecasting methodology.

The FY 2023-24 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the current FY. The uses of these funds are planned and do not represent a utilization of funds, as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,698.5 million, while proposed expenditures and designations yield a total use of funds of \$1,698.5 million. On a year-over-year comparison to the approved FY 2022-23 budget, the FY 2023-24 proposed budget is 2.93 percent, or \$48.3 million, more than the FY 2022-23 approved budget.

Under the M2 Program, sales tax revenue growth is anticipated to remain strong, and the program will continue to improve freeways and streets and roads throughout Orange County, as well as fund transit programs. Included in the proposed budget are freeway improvement projects on State Route 55, Interstate 5, Interstate 405, and State Route 91. Streets and Roads Improvements include the Local Fair Share Program, the Regional Capacity Program, and the Regional Traffic Signal Synchronization Program. In addition, the budget also includes funding for multiple M2 transit programs, including Metrolink and the OC Streetcar.

The FY 2023-24 budget assumes service levels for bus operations of 1.47 million service hours with approximately 60 percent of the hours directly operated by OCTA and approximately 40 percent of the hours provided by OCTA's contractor. Paratransit service trips are anticipated to increase from current levels of 1.21 million to 1.48 million. In addition, OC Flex service will continue to maintain current service levels.

The Metrolink budget assumes service levels at 90 percent of pre-pandemic service levels within Orange County given the changed landscape of commuter rail ridership post pandemic.

The 91 Express Lanes budget anticipates traffic volumes will decrease slightly by 0.2 million trips to 19.5 million trips in the FY 2023-24 budget. This decrease is based on the potential for a recession in FY 2023-24 as well as the impact of high inflation and high gas prices on trips. The 405 Express Lanes is anticipated to open for use in October 2023, after the completion of construction, and assumes 56.3 million trips along five segments over the first nine months of operations.

Staff will present the FY 2023-24 budget in detail in an informal workshop setting on May 8, 2023. The workshop is planned for two hours, and the presentation will include a discussion of 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 budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2023, Board meeting, after which staff anticipates seeking Board approval of the budget.

Summary

Staff will conduct a budget workshop for the Board at the May 8, 2023, OCTA Board meeting. 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 budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2023, Board meeting, after which staff anticipates seeking Board approval of the budget.

Attachment

- A. Fiscal Year 2023-24 Budget Workshop

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