OCTA

March 27, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

For

Subject: Fiscal Year 2023-24 Second 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 second 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 second 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
	Subtotal Amendments	*23,543*
	Total Working Budget	**$ 1,722,013**

*in thousands

Discussion

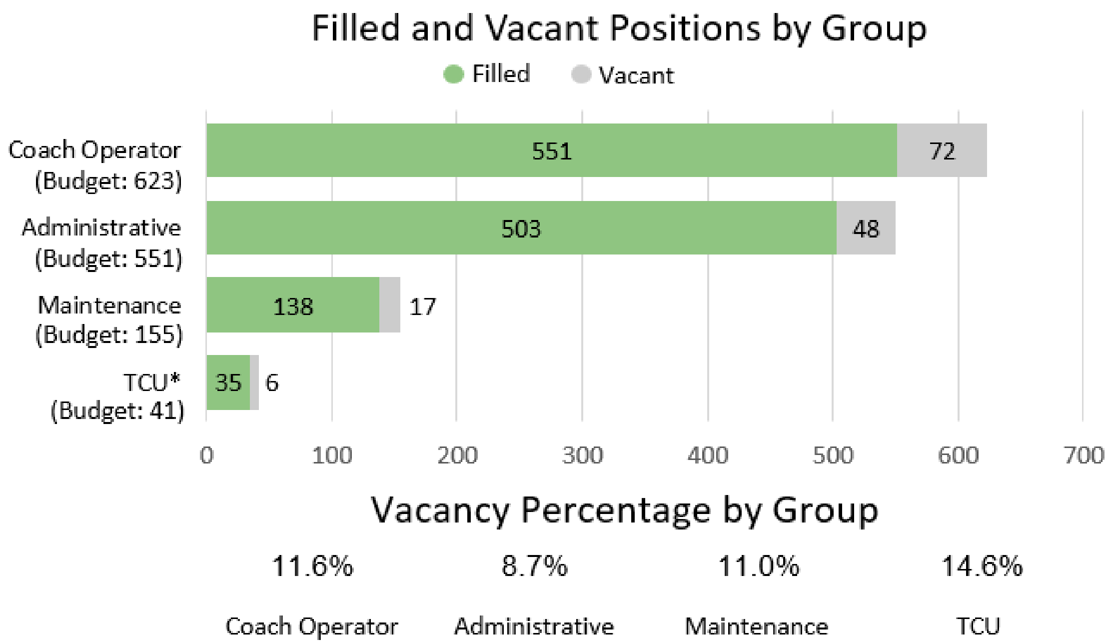
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget to actual variances within each pertinent OCTA program. The OCTA programs include Bus, Regional Rail, Express Lanes, Motorist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

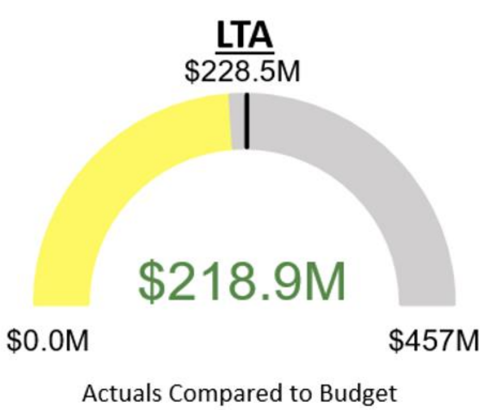
Total salaries and benefits were $17.1 million under the budget of $111.5 million. This is primarily due to staffing vacancies agency-wide and a one-time deferred compensation reconciliation payment, in the amount of $8 million, that was budgeted for in FY 2023-24 but was expensed in FY 2022-23.

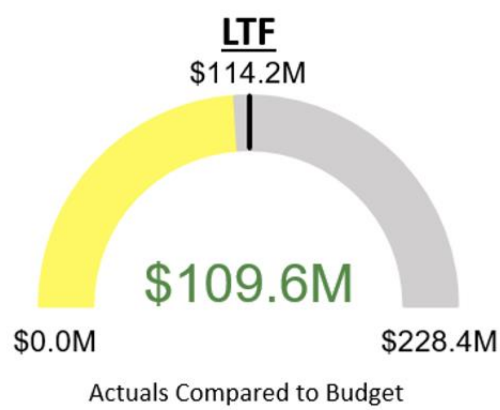


*TCU - Transportation Communications International Union

Sales Tax Receipts

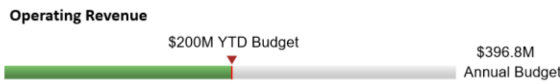
The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. Sales tax receipts underperformed the budget through the second quarter. LTA sales tax receipts of $218.9 million were $9.6 million lower than the budget and LTF sales tax receipts of $109.6 million were $4.6 million lower than the budget. While both the LTA and LTF sales tax figures are below budget for the second quarter of the FY, both programs have strong reserve balances to withstand declines in sales tax. This is an area that staff will continue to monitor closely.

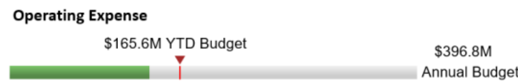




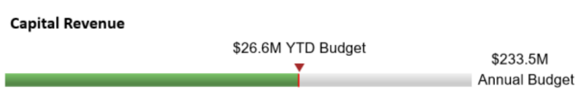
Major Programs

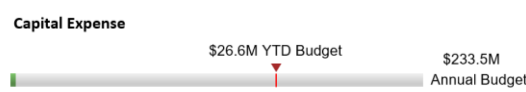
Bus Program





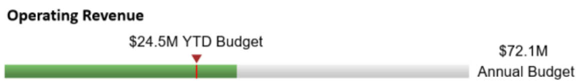
Bus Program operating revenue of $200 million aligned to the budget. Bus Program operating expenses of $135.8 million were $29.8 million under the budget. Staffing vacancies in the coach operator and administrative groups, as well as the deferred compensation reconciliation payment, contributed $11.3 million to the underrun. Additionally, recurring as-needed services and supplies, including fuel, maintenance parts, and marketing efforts experienced an underrun of $10.8 million, reflecting the variability in usage of these items. Lastly, there was an underrun in the amount of $6.3 million due to lower than anticipated expenditures on contracted services. This underrun is primarily due to contracted fixed route rates differing from what was anticipated when the budget was developed, as well as the timing of invoices related to start-up costs. In terms of contracted fixed-route rates, the budget projections were initially set at an hourly rate of $100 factoring in potential fluctuations in service levels. However, actual service levels have surpassed the budget projections leading to a reduced hourly rate of $86 per hour. This has led to an underrun of $2 million that will remain throughout the FY. In addition, there is approximately $2.1 million related to start-up costs that was anticipated to be paid in the second quarter that is now anticipated to be paid in the fourth quarter.

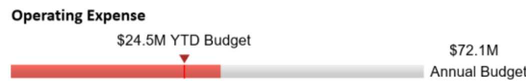




Bus Program capital revenue of $26.6 million was in line with the budget. Bus Program capital expenses were $26.1 million lower than the budget of $26.6 million primarily due to the timing of the procurement of fixed-route and paratransit vehicles which have been postponed until FY 2024-25. Additionally, electric vehicle charging equipment and Transit Security and Operations Center design are in the process of procurement and anticipated to begin by the end of the FY. Capital revenue was in line with the budget, despite expenditures underrunning the budget, due to grant revenue that was anticipated to be received last FY being received in the current FY.

Rail Program

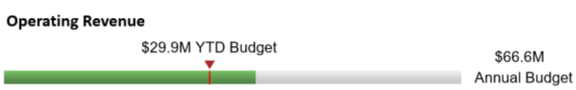




Rail Program operating revenue ties directly to the operating expense. Both operating revenue and expense of $29.7 million were $5.2 million higher than the budget. This was primarily due to the invoice timing of the operating subsidy for Metrolink. The invoice for the operating subsidy was received and paid earlier than anticipated when the budget was developed. The Metrolink Operating Subsidy expense is anticipated to align with the budget by end of the FY.

Rail Program capital revenue of $0.2 million was $0.5 million lower than budgeted. This was primarily due to less than anticipated revenue reimbursements based on lower capital expenses through the second quarter. Rail capital expenses came in $0.3 million lower than budgeted. This was due to less than anticipated close out costs for the Anaheim Canyon Metrolink Station project through the second quarter.

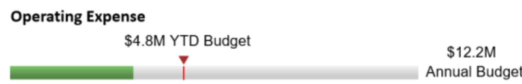
91 Express Lanes Program



The 91 Express Lanes Program operating revenue of $36.7 million exceeded the budget by $6.8 million, primarily due to higher trip volumes than anticipated during budget development. The overrun is anticipated to continue through the FY. Operating expenses of $7.5 million were $0.8 million lower than the budget of $8.3 million, primarily due to the timing of utilization and invoicing of tow services and collection services.

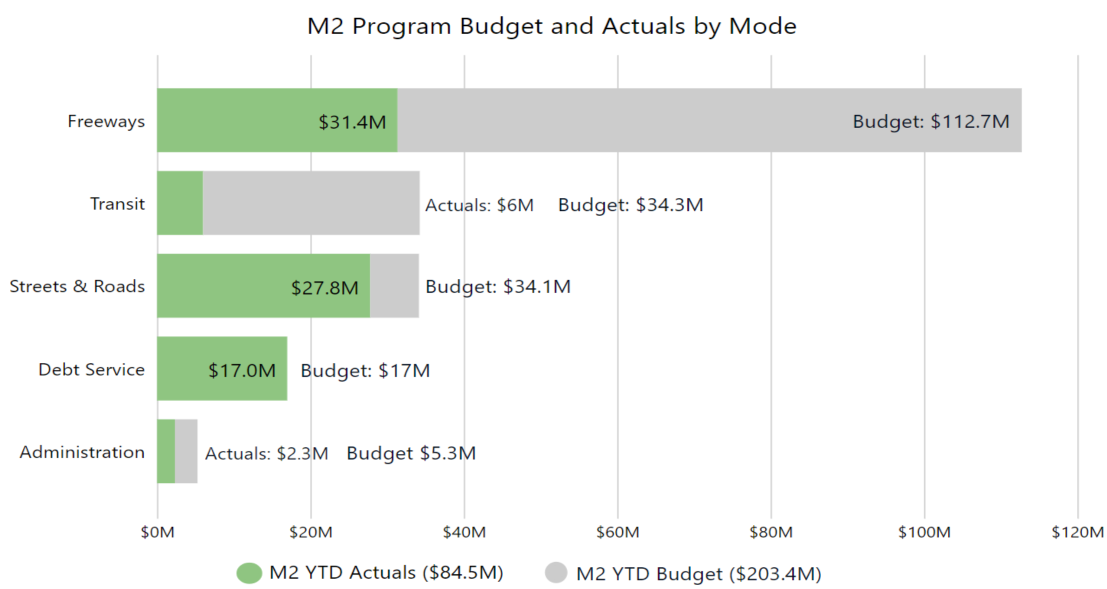
Both the 91 Express Lanes Program capital revenue and expenditures aligned with the budget.

Motorist Services Program



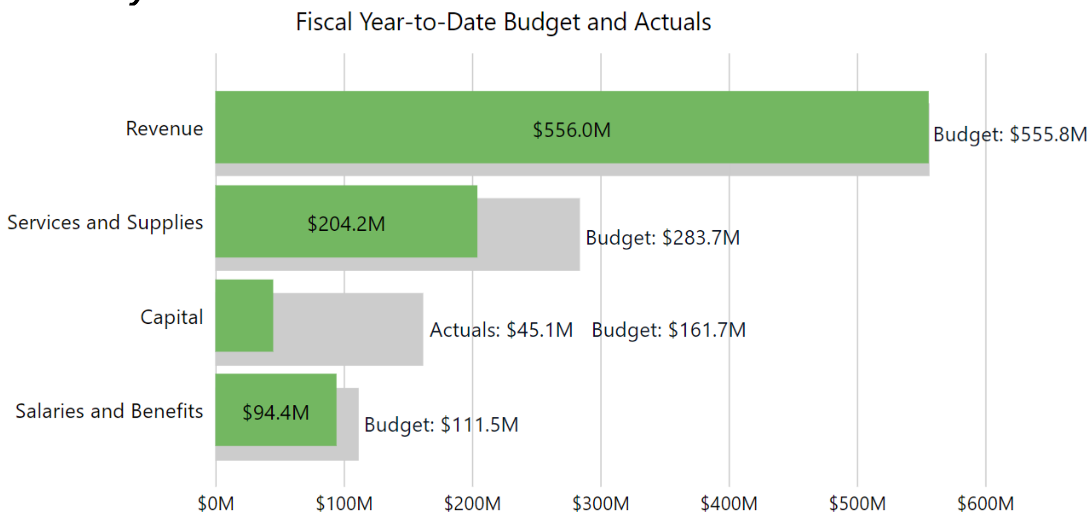
Motorist services operating revenue of $4.8 million aligned with the budget. Motorist services operating expenses of $3.4 million were $1.4 million lower than the budget. This was primarily due to the timing of invoices for Freeway Service Patrol towing costs and the expense is anticipated to align with the budget by the end of the year.

M2 Program



Total actual expenses for the M2 Program of $82.3 million underran the budget by $118.9 million, primarily due to the timing of construction and right-of-way (ROW) payments for freeway projects ($79.5 million) including the Interstate 5 (I-5) to El Toro Road Project, Interstate 405 San Diego Freeway Improvements, and State Route 55 (SR-55) Costa Mesa Freeway Improvements. Additionally, the San Juan Creek Bridge replacement also contributed to the underrun ($22.5 million) due to Metrolink awarding the contract later than anticipated at time of budgeting. Lastly, lower than anticipated contributions to other agencies for local fair share ($6.6 million) and community-based transit circulators ($3.8 million) contributed to the underrun.

Summary



Overall, revenue of $556 million aligned with budget of $555.8 million. Although sales tax collections were $14.2 million under budget, this amount was offset by higher than anticipated toll revenue and grant revenue that was received in the current FY that was anticipated to be received in the prior FY.

Operating expenses of $204.2 million were $79.5 million under budget, primarily due to the timing of expenses for freeway services, contributions to local agencies for local fair share, the San Juan Creek Bridge Replacement Project, and transit circulators. Additionally, contracted services, as-needed services and supplies, and paratransit services contributed to the underrun.

Capital expenses of $45.1 million were $116.6 million under budget, primarily due to the timing of construction and ROW expenses for the I-5 Santa Ana Project, State Route 91 Riverside Freeway Improvements, and SR-55 Costa Mesa Freeway Improvements. Additionally, procurement of revenue vehicles has been re-budgeted in FY 2024-25.

Salaries and benefits of $94.4 million underran the budget by $17.1 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. Fiscal Year 2023-24 Second Quarter Budget Status Summary

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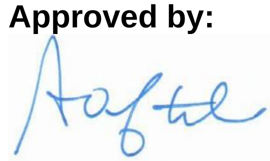

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