



OCTA's Action Plan On Budget Shortfall

Balancing The Budget While Continuing Quality Service

Oct. 27, 2008



Overview of financial realities

Since Orange County Transportation Authority (OCTA) Board of Directors' approval of the fiscal year 2008-09 budget, the state of California has cut \$9 million for OCTA's transit operations. OCTA also is expecting likely cuts or delays to an additional \$12.5 million of transit operating revenue.

Orange County also is experiencing significantly lower sales tax revenues that support transit operations and the Measure M program – approximately \$9 million and \$19 million, respectively. Upon learning of the dire financial realities, OCTA is facing these challenges directly.

After informing the Board of Directors at its Oct. 27 meeting, Chief Executive Officer Arthur T. Leahy immediately directed all staff members to implement a series of short-term and intermediate actions to balance this fiscal year's budget.

Because of the declining economy, we anticipate the OCTA budget outlook will worsen in the future. By taking proactive steps now, decisions can be made in a thoughtful and deliberative manner rather than being forced into taking rash actions to address the budget crisis. This action plan will help minimize the long-term negative impacts of decreased funding levels.



Short-term actions

The most immediate concern is to begin to resolve the operating shortfall that exists within the bus operations program. To achieve that objective, OCTA will take these actions:

1. Direct staff to immediately develop a service reduction plan consistent with expected attrition

With such a significant drop in operating revenue coupled with some known increases in costs, OCTA will begin reducing bus service levels as soon as possible to save \$2.5 million to help minimize the budget adjustments that will be needed next year.

These service reductions would be directed to maintain equity in service levels and impacts across the county. Using expected attrition rates, a slow and steady retrenchment can be achieved without any layoffs. OCTA bus service will experience a modest service reduction in December 2008. Additional reductions are very likely necessary in March and June 2009.

2. Implement hiring limits

There are currently several vacant positions. Savings from not filling vacancies between now and the end of the fiscal year would save OCTA approximately \$1 million. At this time, the hiring limits would not apply to positions that are needed to support the Renewed Measure M (M2) Early Action Plan or the 91 Express Lanes.

3. Formally amend the budget to reduce indirect services and supplies by \$3.5 million

OCTA has identified items that can be taken out of the 2008-09 budget. Approximately \$3.5 million has been identified to be removed from the budget.

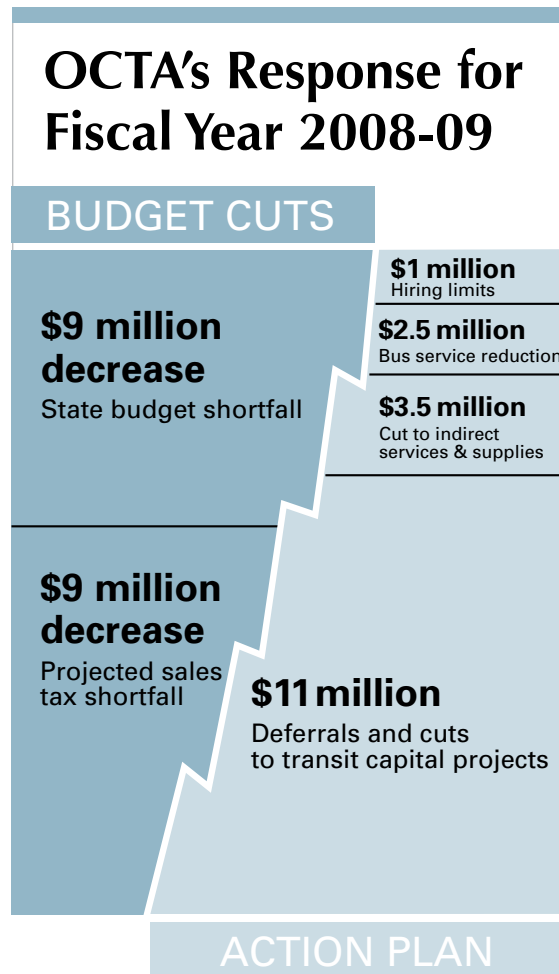
4. Re-evaluate and prioritize capital expenditures that are not required by mandate or safety related

Capital expenses will be reduced by \$11 million in OCTA's current fiscal year budget. Funds are planned to be set aside for future capital purposes. If some current or future projects – bus purchases and facility modifications – can be used to balance this year's budget. In addition, revisions related to highway and street projects as well as the capital portion of the Bus Rapid Transit Project will be actively pursued.

5. Seek approval from the OCTA Board of Directors to transfer funds from rail to bus operations over the next three years

The OCTA Board of Directors has already approved a Metrolink Service Expansion Plan that includes several capital improvement projects and an increase in rail service.

Staff will seek other funding sources such as Prop. 1B to maintain the current Metrolink expansion schedule. As those funds are identified, bus transit-eligible rail funds will be transferred to the bus program.





Intermediate actions

There are no positive economic signs suggesting that recent economic trends will reverse in the near future.

OCTA will revise its outlook for all programs. Several recommendations for each affected program will be included in preparing the FY 2009-10 budget.

Bus Operations

Several initiatives and policies will be reviewed. The items in no particular order are:

- Exploring outsourcing opportunities
- Reviewing ACCESS paratransit service delivery models including potential elimination of Special Agency Service
- Redirecting state funds dedicated to bikeways to bus operations (approximately \$2 million annually)
- Reviewing all support positions
- Reviewing timing and scope of all capital projects (i.e. bus purchases, facility improvements)

Metrolink

While current projections suggest that plans for Metrolink expansion can continue, it may be prudent to review contingencies if economic conditions worsen or further cuts are passed on from the state of California.

These items include:

- Address the potential slowdown of the implementation of service expansion
- Review other capital projects related to Metrolink commuter-rail service

Street and Freeway Program

Of the five projects identified in the Early Action Plan, four of them rely on external funding sources. OCTA must create contingency plans for action in the event that external funding is not available. These contingency plans include:

- Consider revising project schedules and/or phasing of construction to coincide with revenue stream
- Prioritize projects allocated for external funding with time constraints to include reprogramming options and project risk and uncertainty
- Consider utilizing additional toll revenues from the 91 Express Lanes for improvements to the Riverside Freeway (SR-91)
- Revise plans related to the environmental mitigation programs

As the current Measure M winds down and forecasted revenues continue to decline, funds in the competitive program for cities are tightening. It is prudent to establish a policy where cities that have been allocated funds but cannot meet the required delivery schedule have their funds unprogrammed. These cities should be encouraged to apply for funding for these projects under the first M2 call for projects.

Action Plan Conclusion

Recent economic realities have created new challenges that were unforeseen a few months ago. Changes to the revenue picture are so severe that they simply cannot go unaddressed. OCTA is reacting to these new realities swiftly to balance the budget and continue to make progress on delivering transportation solutions to the Orange County public.