



Orange County Transportation Authority

Options to Address Reductions in Bus Program Revenue

Background

- **Bus Program revenue challenges**
 - Transportation Development Act (TDA) sales tax has underran projections
 - Declines in fare revenue and State Transit Assistance
- **Prior Board of Directors (Board) actions**
 - Board has taken several actions over recent years to reduce the cost to operate bus service
 - Cost reductions have enabled OCTA to add back 65,000 service hours despite revenue challenges

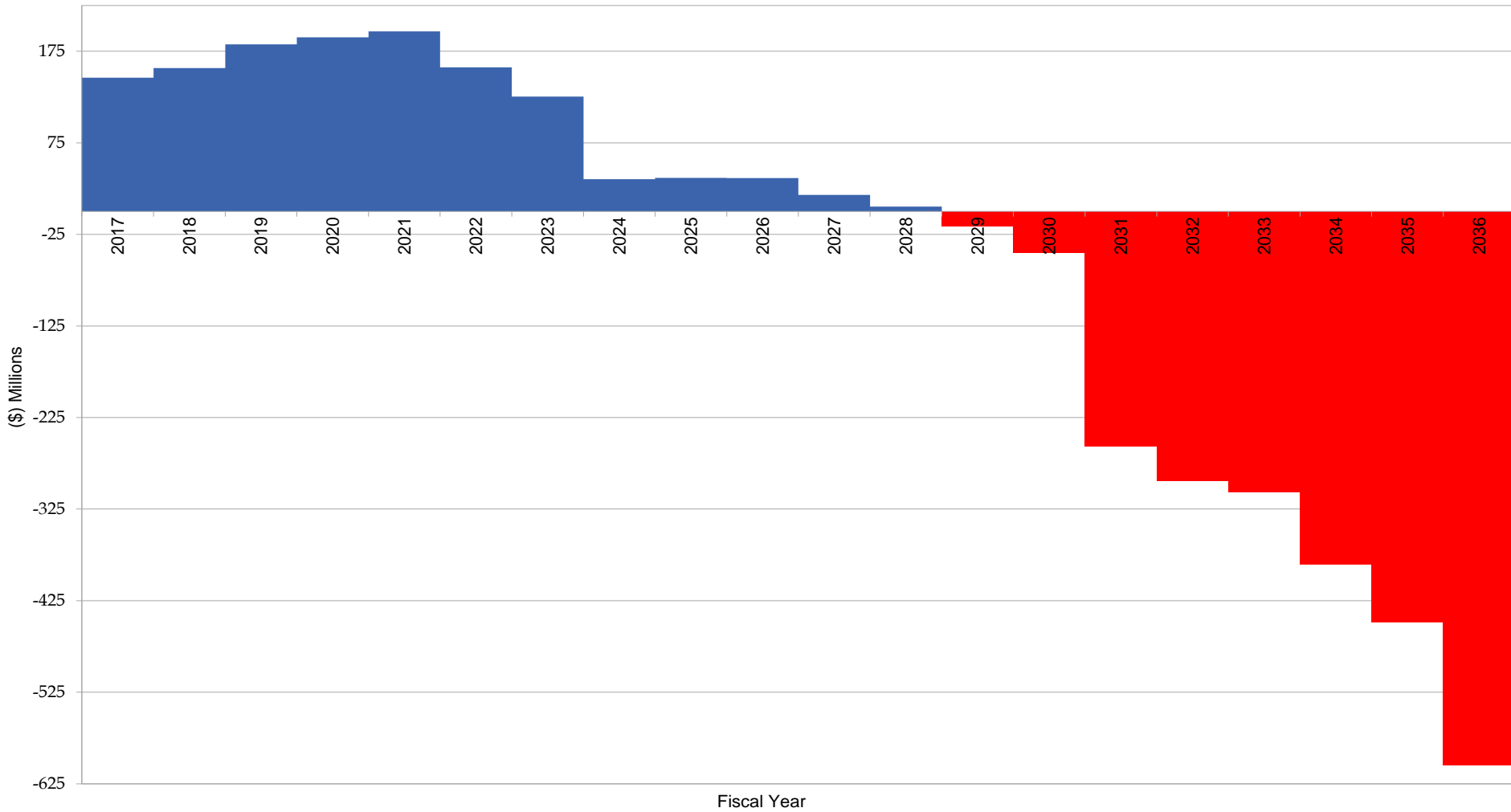
Background (cont)

- Prior Board actions
 - Reduced service levels and fleet by 20 percent
 - Reduced/deferred capital projects
 - Extended the useful life of large bus fleet to 14 years
 - Implemented plan for administrative employees to pay employee share of OCERS
 - Awarded an ACCESS service contract with projected savings of \$46 million
 - Awarded a contract for a fixed-route service provider with projected savings of \$11 million
 - Continued outsourcing up to 40 percent of fixed-route service
 - Approved a \$13.9 million dollar budget amendment in fiscal year 2015-16
 - Implemented the Low Carbon Fuel Standard Program

Background (cont)

- New sales tax forecast methodology
 - Forecasted decrease in TDA sales tax from \$5.4 billion to \$4.4 billion
 - Decrease of \$1 billion represents an 18 percent decrease in revenue available to support bus operations over the next 20 years

Forecasted Bus Program Cashflow



Options

Options	Pros	Cons
1. Decrease service hours equivalent to loss in TDA sales tax revenue, which equates to 180k service hours \$ \$ \$ \$ \$	Aligns ongoing expenditures with available revenue	Results in reduced service levels and ridershi
2. Use capital reserves to backfill loss of revenue	Could maintain existing service levels through fiscal year 2028	Results in loss of capital replacement fund and 45 day working capital, and severe service reductions once funds are exhausted
3. Implement a combination of the following to overcome the revenue shortfall: \$ 1. Rethink feeder service \$ 2. Rethink express service \$ \$ \$ 3. Extend the useful life of large buses to 18 years \$ \$ 4. Contract out additional service hours \$ 5. Implement zone-based ACCESS fares ? 6. Reduce service area to most productive routes ? 7. Evaluate options for increased use of Measure M2 funds for the bus program	Aligns ongoing expenditures with revenue without service reductions to OCTA's most productive bus routes, reduces frequency of bus capital purchases and reduces cost to operate service	May result in a reduction of service and ridership, decreases in miles between road calls as fleet ages, and could increase dependence on contracted service provider(s)

Next Steps

- Incorporate Board feedback on the options to align expenditures with forecasted revenue into the development of the Fiscal Year (FY) 2017 Comprehensive Business Plan (CBP)
- Bring the FY 2017 CBP to the Finance and Administration Committee and Board in November 2016