Orange County Transportation Authority:

An Analysis of Its Financial Resources and Obligations

Table of Contents

Summary

Audit Highlights ...

We found that:

- ☑ ***As a result of legislative action related to Orange County's bankruptcy, OCTA will incur a $202 million revenue loss over the next 17 years.***
- ☑ ***Ninety-eight percent of OCTA's fiscal year 1994-95 revenues have expenditure restrictions; and***

Results in Brief

The Orange County Transportation Authority (OCTA) was established in 1991 by state law as the consolidation of several agencies responsible for providing transportation planning and services within Orange County (county). OCTA oversees transportation services throughout the county.

Since its inception, OCTA has received more than $2.1 billion from various revenue sources and spent approximately $1.7 billion on operations, capital projects, long-term debt, and possible losses resulting from the county's bankruptcy. The use of approximately 98 percent of OCTA's fiscal year 1994-95 revenues is limited to transportation purposes. Interest earnings and miscellaneous revenues not restricted by statutes, contracts, and official statements of debt previously issued make up the remainder of the revenues.

As of June 30, 1995, OCTA's outstanding long-term debt was approximately $698 million with annual debt service requirements of approximately $69 million.

Based on legislation approved by the governor in October 1995, OCTA and the county exchanged revenue sources that can be used only for various transportation purposes. The purpose of the legislation was to aid in the county's recovery from bankruptcy. The net result over the 17 years of the mandated exchange will be a $202 million loss in revenues to OCTA.

The OCTA Board of Directors (board) approved a plan to address both the $38 million initial revenue loss in fiscal year 1996-97 and the $15 million annual loss that begins in fiscal year 1997-98. The board proposes covering the initial revenue loss primarily with $33 million from previously received Transportation Development Act (TDA) sales tax revenues. It proposes covering the annual $15 million loss for fiscal years 1997-98 through 2010-11 with an annuity funded by a one-time transfer of $68 million from TDA funds from its commuter rail programs and $5.7 million from other unrestricted revenues. Principal plus interest from this funding will provide $8 million annually.

Another $4.4 million represents cost savings and funding allocation reductions. The remaining $2.6 million annual shortfall will be addressed as part of OCTA's long-range financial plan update in November 1996.

After addressing the revenue loss, approximately $69 million remains from OCTA's $174 million in unrestricted funds as of June 30, 1995, that may be used for various transportation purposes. TDA funds comprise $48 million of the $69 million. However, OCTA has outstanding contracts for future services against TDA funded operations totaling $57 million. Most of the $48 million was on deposit in OCTA's urban rail fund for future projects. On July 24, 1995, the board authorized the transfer of more than $50.6 million in cash and collateral from the urban rail fund to other funds with short-term operating needs. The transfer removed all cash from the urban rail fund. The urban rail fund, which is not projected to have a need for operating cash until after the year 2000, received settlement secured and repayment claims in return for the cash and collateral. Moneys used to account for OCTA's internal risk management activities comprise the remaining $21 million of the $69 million.

Agency Comments

OCTA agrees with our report.

Introduction

Background

The Orange County Transportation Authority (OCTA) was established in 1991 by state law as the consolidation of several agencies to provide transportation planning and services throughout Orange County (county). OCTA is governed by an 11-member Board of Directors consisting of 4 members of the county Board of Supervisors, 6 city council members or mayors selected by all cities within the county, and one public member selected by a majority of the other 10 board members. A representative appointed by the governor serves in a nonvoting capacity. A chief executive officer manages OCTA in accordance with the direction, goals, and policies of the board.

OCTA oversees all transportation services within Orange County. Its operations are divided into three components:

- Freeway, road, and rail transit improvements authorized by the voter-approved Measure M;

- Bus and commuter rail operations; and

- Other operations, including a freeway call box system and removal of abandoned vehicles.

A major portion of OCTA's spending is related to Measure M, a measure approved by Orange County voters in November 1990 that provides revenues from a one-half percent sales tax for 20 years to pay for a variety of freeway, road, and rail transit improvements in cities and the county. Measure M also authorized OCTA to issue sales tax revenue bonds for transportation purposes. As a result, OCTA has issued over $700 million in debt since 1992 against future Measure M sales tax revenues. During fiscal year 1994-95, Measure M revenues totaled $189 million and represented 57 percent of total revenues.

Bus and commuter rail systems also comprise a major element of OCTA's operations. Funding is largely provided by a one-quarter percent Transportation Development Act (TDA) local Bradley-Burns sales tax, a TDA gasoline and diesel fuel sales tax, passenger fares, federal grants, and property taxes. Additionally, OCTA has issued approximately $35 million in debt to acquire buses for its operations. TDA local Bradley-Burns and gasoline and diesel fuel sales tax revenues totaled approximately $76 million during fiscal year 1994-95 and represented 23 percent of OCTA's total revenues.

The remainder of OCTA's operations account for various projects and functions. For example, OCTA administers a freeway call box system for use in emergencies and a freeway service patrol that removes disabled vehicles from freeways in the county. OCTA also operates a service to remove abandoned vehicles from streets and roads throughout the county and oversees various transit projects and capital acquisitions.

Orange County Bankruptcy

After its formation, the board authorized the investment of all OCTA idle and designated cash in the county's pooled investment fund. However, on December 6, 1994, Orange County and the pooled investment fund filed a petition for bankruptcy under Chapter 9 of the United States Bankruptcy Code. On that date, OCTA had over $1.13 billion deposited in the pooled investment fund. A comprehensive settlement agreement subsequently provided OCTA approximately $896 million (79 percent) in cash as of June 30, 1995. The agreement provides that OCTA will also receive $16 million (1 percent) when collateral held by various brokerage houses is sold. The agreement converts the remaining OCTA funds invested in the pooled fund into settlement secured claims and repayment claims. Settlement secured claims of approximately $101 million (9 percent) have a first priority to receive moneys recovered by the county from third-party defendants in the bankruptcy litigation. Repayment claims of $120 million (11 percent) have a second priority claim on any remaining moneys from litigation recoveries.

In October 1995, to assist Orange County's recovery from the bankruptcy, the governor approved legislation that redirects $38 million annually from OCTA to the county for 15 years beginning July 1, 1996, and $23 million annually from the county to OCTA for 16 years beginning July 1, 1997. As a result of the exchange, the county will benefit by $202 million over the 17-year period covered by the legislation. However, an agreement incorporates provisions of the legislation and entitles OCTA to receive $225 million after the payment of settlement secured and repayment claims. Nevertheless, OCTA management considers it unlikely that moneys received in the next 5 years will be sufficient for OCTA to recover more than the settlement secured claims.

Scope and Methodology

The purpose of this audit was to obtain detailed information about the status of the public resources held by OCTA. Specifically, we reviewed and evaluated the laws, rules, and regulations relevant to OCTA and its transportation programs, and we conducted interviews with OCTA personnel.

To determine the financial condition and fund balances as of June 30, 1995, we reviewed the audited general purpose financial statements and identified the availability of funds for specific purposes.

To review and assess the historical and projected revenues and expenditures, we reviewed OCTA's general purpose financial statements for fiscal years 1991-92 through 1994-95 and its budget for fiscal year 1995-96. Additionally, we identified reasons for significant changes in revenues and expenditures.

To determine whether certain sources of funds are restricted by law, their allowable uses, and their percentage of total revenues, we reviewed the laws and regulations that govern the sources of funds for OCTA, identified the sources that have restricted uses, and calculated the amount and percentage of revenue sources that are restricted by law.

To determine the future debt service requirements, whether certain revenues have been pledged for the debt service payments, the annual amount of such pledges, and the percentage of the annual debt service payments to the total annual budget, we reviewed official statements for outstanding debt service.

To review and assess any other issues or situations that may affect future revenues and expenditures, we examined OCTA's 15-year financial plan to manage the revenue shortfall resulting from the enactment of legislation substituting OCTA TDA sales tax revenues for county gasoline tax revenues.

Chapter 1

Revenues and Expenditures

During the four-year period from fiscal year 1991-92 to fiscal year 1994-95, OCTA received over $2.1 billion from revenues and used approximately $1.8 billion to pay for its operations, capital outlay, outstanding long-term debt, and its potential $221 million loss resulting from the county's bankruptcy. Furthermore, for fiscal year 1995-96, OCTA projects approximately $617 million in expenditures to be funded by $351 million of expected revenues with the remaining $266 million coming from its reserves, including unspent bond proceeds. Revenues include all recurring and nonrecurring sources of funds, including sales taxes, federal grants, and bond proceeds. We summarize the annual revenues and expenditures, excluding the potential bankruptcy loss, in Table 1 below.

Table 1

Orange County Transportation Authority Revenues and Expenditures Fiscal Years 1991-92 Through 1995-96 (in Thousands)

	1991-92	**1992-93**	**1993-94**	**1994-95**	**Four-Year Total**	**Budgeted 1995-96**
Total revenues	$ 286,708	$937,601	$545,227	$ 331,368	$2,100,904	$ 351,363
Total expenditures	321,108	437,939	389,478	389,046	1,537,571	616,874
Excess (Deficiency) of Revenues Over Expenditures	**$ (34,400)**	**$499,662**	**$155,749**	**$ (57,678)**	**$ 563,333**	**$(265,511)**

Highlights of Fiscal Year 1994-95 and Fiscal Year 1995-96

Recurring revenues over the period reviewed have fluctuated slightly. Sales taxes, which comprise approximately $200 million of annual revenue, have increased slightly at a relatively stable rate. These revenues are largely generated from the one-half percent Measure M sales tax approved by county voters in November 1990 and from the one-quarter percent local Bradley-Burns sales tax.

OCTA's expenditures are expected to increase significantly over the same period for several reasons. Its expanded rail service offered to commuters traveling from the county to Los Angeles and from the county to Riverside is expected to bring a significant increase in transit and rail operation costs for fiscal year 1995-96. OCTA also projects a $21 million increase in its contributions to other agencies for fiscal year 1995-96 because of planned additional disbursements of Measure M funds to cities and the county to pay for local transportation projects.

Within its classification of nonrecurring revenues and expenditures, OCTA receives funds from other governments for freeway and highway projects as well as other transportation-related capital projects. While OCTA expects decreased funding from local governments for fiscal year 1995-96, it expects increased funding from the federal government for a freeway construction project and for the purchase of buses and other equipment. OCTA's capital outlay expenditures vary between the years depending on when work is completed for various construction projects. Although its fiscal year 1995-96 budget reflects a significant increase of capital outlay for a $220 million construction project, OCTA's Financial Planning and Analysis manager believes that no expenses will be incurred for the project during the fiscal year.

Operating transfers in and out, which reflect transfers of revenue from funds authorized to receive it to funds authorized to spend it, are expected to decrease in fiscal year 1995-96 because OCTA anticipates that fewer transfers will be necessary to pay for its outstanding debt and Measure M-related construction projects. OCTA transferred $170 million of its reserves in fiscal year 1994-95 to help fund its commuter rail operations and transferred $25 million to fund its risk management activities. OCTA expected no similar transfers during fiscal year 1995-96.

As a result of the county's bankruptcy, OCTA reported in fiscal year 1994-95 a potential $221 million loss. One hundred and one million dollars represents settlement secured claims which have a first priority to receive moneys recovered by the county from third-party defendants in the bankruptcy litigation. The remaining $120 million in repayment claims have a second priority claim on any moneys recovered from the litigation, and are even less likely to be repaid in the near future. OCTA does not expect to receive moneys for its repayment claims within the next five years.

Appendix A identifies OCTA's recurring revenues and expenditures, nonrecurring revenues and expenditures, internal transfers, and the potential loss resulting from the county's bankruptcy for the four-year period from fiscal year 1991-92 to fiscal year 1994-95, and its projections for fiscal year 1995-96.

Sources of Revenues and Allowable Uses

OCTA has various sources to fund the operations within its three components. However, many of these sources restrict expenditure of the funds to transportation purposes. Restricted revenue accounts for approximately 98 percent of the total revenues for fiscal year 1994-95.

Measure M, the one-half percent sales tax approved by the county voters in 1990, is intended to provide funds for specified construction projects and is pledged to pay for principal and interest on the sales tax revenue bonds issued by OCTA to finance the projects. Contributions from the State and local governments and interest earned on Measure M funds also provide funding for these operations. Measure M revenues from these sources were approximately $189 million in fiscal year 1994-95. Of this amount, approximately $65 million is pledged to pay bond principal and interest, with the remaining $124 million to be used to pay for Measure M construction projects.

OCTA's bus and rail operations are funded by federal grants, interest, passenger fares, and property taxes, and from TDA sales tax revenues and gasoline and diesel fuel sales tax revenues received in OCTA's other operations. Federal law requires that federal grants be used for various transportation projects and activities, including highway construction and mass transportation capital projects, and for mass transportation operating costs. Although no statutes or official statements specifically require the use of farebox revenues and property taxes to pay for bus operations, OCTA would need to use more non-Measure M sources, such as TDA revenues, to subsidize its bus operations if these funds were used for other purposes.

Approximately $1.4 million of the $25.5 million farebox revenues received during fiscal year 1994-95 is pledged to pay for principal and interest on certificates of participation issued in 1990 by OCTA. Additionally, of the $93 million of property taxes, federal grant revenues, TDA local Bradley-Burns sales tax revenues, and TDA gasoline and diesel fuel sales tax revenues received in fiscal year 1994-95, $1 million is pledged to pay for an interest payment for the certificates of participation issued in 1993.

OCTA's other operations, such as its local transportation, state transit assistance, and freeway call box aid system, are largely funded from TDA local sales tax revenues, TDA gasoline and diesel fuel sales tax revenues, vehicle registration fees, interest, and fines. The TDA sales and gas tax revenues represent 23 percent of the fiscal year 1994-95 total revenues. While the one-quarter percent TDA sales tax and the TDA gas and diesel fuel tax provide most of the required funding for bus and rail operating systems, they also fund administration, planning, and other transportation services and capital improvements. Vehicle registration fees fund the call box motorist aid system and the removal of abandoned vehicles within the county. Contributions from the State and local governments provide additional funding for specific projects stated in contracts and agreements such as for the call box motorist aid system. Fines collected by the county for violating high occupancy vehicle lane laws are allocated to OCTA and must be used to improve traffic flow and traffic operations on the state highway system in the county.

Two percent of OCTA’s fiscal year 1994-95 revenues are not restricted to specific uses by statutes, contracts, or official statements of debt issued by OCTA. The sources of these revenues include interest earnings in various funds, rental income, and fines.

Appendix B identifies the revenues with limited uses within OCTA's operations, the basis for use of the revenues and their allowable uses, and the revenues that are not restricted in their use. In addition, the table identifies the dollar amount of each revenue for fiscal year 1994-95.

Debt Service Requirements

As shown in Table 2, OCTA's long-term debt outstanding as of June 30, 1995, was approximately $698 million, and over the remaining term of the debt it will pay interest totaling approximately $372 million. As of June 1995, OCTA also has approximately $74 million of short-term tax-exempt commercial paper outstanding with budgeted interest payments of $4 million.

Table 2

Orange County Transportation Authority
Annual Long-Term Debt Service Obligation
(in Thousands)

Due in Fiscal Year	Principal	Interest	Total
1995-96	$ 29,080	$ 38,171	$ 67,251
1996-97	32,585	36,781	69,366
1997-98	33,960	35,323	69,283
1998-99	35,410	33,718	69,128
1999-00	37,000	31,997	68,997

Thereafter	530,375	196,145	726,520
Totals	**$ 698,410**	**$372,135**	**$1,070,545**

Appendix C provides additional information about the long-term debt incurred by OCTA, including the purpose for each issuance of debt, and the source of the revenue pledged to be used for payment of the debt. The three Measure M sales tax revenue bonds comprise approximately $663 million (95 percent) of the outstanding debt, and require more than $360 million in interest payments over the remaining term of the debt. These bonds were issued to finance capital improvements to the freeways, streets, and roads, and for the operation of transit programs within the county. The principal and interest will be repaid from Measure M sales tax revenues and interest on the related funds. The remaining $35 million (5 percent) of the outstanding debt is made up of certificates of participation issued to acquire and install a freeway call box system throughout the county and to acquire buses, vehicles, and equipment for OCTA's transit operations. The principal and interest on the debt will be repaid with farebox revenues, federal grants, TDA funds, property taxes, vehicle registration fees charged to all vehicles registered in the county, and various other revenues as stated in Appendix C.

Chapter 2

15-Year Diversion Plan

To assist the county's recovery from bankruptcy, the governor approved legislation in October 1995 that redirects $38 million in TDA revenues annually from OCTA to the county's general fund for 15 years beginning July 1, 1996. The TDA revenue is provided from a one-quarter percent local Bradley-Burns sales tax collected by the Board of Equalization and returned to the county from which the taxes were collected. The county distributes these sales tax revenues to OCTA for public transportation operating and capital expenditures. In exchange for the loss of the TDA sales tax revenue, the governor approved legislation that redirects $23 million in gasoline tax revenues annually from the county to OCTA for 16 years beginning July 1, 1997. These taxes are distributed by state law to counties for road projects. Thus, the county and OCTA exchanged revenue sources that previously could only be used for transportation purposes so that the county's general fund would have increased revenues.

As a result of the revenue exchange, OCTA will incur a $38 million loss in revenues for fiscal year 1996-97, a

$15 million annual loss in revenues for 14 years beginning in fiscal year 1997-98, and a $23 million annual gain for fiscal years 2011-12 and 2012-13. As shown in Table 3 below, the total loss to OCTA is $202 million. However, the legislation that caused the revenue exchange stipulates that the legislation may not be used to justify reductions in existing bus and paratransit services.

Table 3

Orange County Transportation Authority Redirection of Revenues Between OCTA and Orange County (in Millions)

	Fiscal Year				
Revenue Exchange	**1996-97**	**1997-98 to 2010-11**	**2011-12**	**2012-13**	**Total**
Orange County to OCTA	$ 0	$ 322[a]	$23	$23	$ 368
OCTA to Orange County	38	532[b]	0	0	570
Gain (Loss) to OCTA	**$ (38)**	**$ (210)**	**$23**	**$23**	**$ (202)**

[a] Represents $23 million redirected annually for 14 years.

[b] Represents $38 million redirected annually for 14 years.

Fiscal Year 1996-97 Shortfall

To address the $38 million revenue loss of fiscal year 1996-97 TDA sales tax revenues that traditionally would have been used to subsidize bus operations, the board approved a plan to:

- Transfer to its bus operations $33 million of previously received TDA revenues plus previously earned interest deposited in Orange County Unified Transportation Trust (OCUTT) funds and $1.4 million in future interest earnings;

- Reduce TDA planning and administrative costs by $2 million through staff reductions; and

- Transfer $1.6 million of its rail feeder service costs from bus operations to the commuter rail program.

OCTA plans to invest approximately $33 million from its fund balance, which along with future interest earnings, will be sufficient to provide $34.4 million for bus operations in fiscal year 1996-97. The board previously designated $13.5 million of the $33 million for future construction projects. The remaining $19.5 million represents the unreserved and undesignated portion of fund balance for OCUTT. OCUTT moneys, consisting of interest earned on TDA sales tax revenues, were previously allocated to the county, cities in the county, the State Department of Transportation, and OCTA for transportation purposes. OCTA's transfer of the moneys is appropriate because bus operations are also an allowable use of TDA sales tax revenues.

An additional $2 million will be made up by a reduction in OCTA's TDA planning and administrative costs. To accomplish the plan, OCTA will reduce its administrative staff by 41 positions. As of January 24, 1996, OCTA notified its employees of the reductions in staff. It expects to complete the elimination of positions by July 1, 1996.

OCTA plans to transfer $1.6 million of its rail feeder service costs to the commuter rail program. Currently, these costs, which represent the costs of operating small buses that transport persons from buses to commuter rail lines, are charged to its bus operations. OCTA based its calculation of the $1.6 million on the hours that its vehicles are in operation each year, the average hourly cost of operating its vehicles, and the average passenger fare revenue it expects to receive from passengers using the service.

Fiscal Years 1997-98 Through 2010-11 Shortfall

To address the $15 million annual revenue loss beginning in fiscal year 1997-98 and maintain adequate bus operations, the board-approved plan will:

- Establish an annuity within a Bus Operations Fund by using TDA sales tax revenues from its commuter rail program and from other unrestricted revenues that will provide $8 million annually;

- Reduce the funding allocation for bicycle and pedestrian facilities programs by approximately $760,000; and

- Continue to generate the $3.6 million annual cost savings from the staff reductions and the transfer of the rail feeder service costs first obtained in fiscal year 1996-97 as discussed in the previous section.

The plan has an annual $2.6 million shortfall that has not been addressed by the board. OCTA has several options under consideration to address this remaining revenue loss.

The majority of the $15 million revenue loss will be compensated by OCTA establishing an annuity within a Bus Operations Fund.

This annuity will provide $8 million annually from fiscal year 1997-98 through fiscal year 2010-11. To accomplish this, in early 1996 OCTA plans to transfer to the Bus Operations Fund approximately $68 million of TDA sales tax revenues from its commuter rail program and $5.7 million from other unrestricted revenues. High occupancy vehicle fines, TDA funds in transit capital reserves, a Department of Transportation escrow account related to bus operations, and the cost savings from reduced TDA funding for bike path and sidewalk improvements comprise the unrestricted revenue sources. The investment of these moneys is expected to earn an additional $5.7 million by July 1997. OCTA believes that it can generate $8 million annually by withdrawing a portion of the $79.4 million of transferred funds and interest earnings for each of the 14 years beginning in fiscal year 1997-98. The $79.4 million would need to earn approximately 5 percent interest to annually meet this goal.

Two percent of the TDA sales tax revenue that OCTA receives is allocated to bike path and sidewalk improvement programs in accordance with state law. However, since TDA revenues will be reduced by $38 million annually beginning in fiscal year 1996-97, the allocation will be reduced by $760,000 (2 percent). OCTA plans to include the cost savings for fiscal year 1996-97 in the Bus Operations Fund. Beginning in fiscal year 1997-98, OCTA plans to apply the annual cost savings to the $15 million annual shortfall.

OCTA has several options that it is considering to address the remaining $2.6 million annual shortfall. According to the assistant executive officer, it could:

- Increase its passenger fares, which would provide $1.6 million in revenues from a 10 cent increase and $3.3 million in revenues from a 20 cent increase;

- Reduce its bus service operating and capital costs by $2.6 million;

- Increase property tax revenues allocated to OCTA that were reduced by approximately $3 million beginning in fiscal year 1992-93 as a result of a change in state law; however, this option would require the enactment of legislation introduced in February 1995; and

- Receive some of the secured settlement claims from the county's bankruptcy.

According to the assistant executive officer, these options are likely to be addressed as part of OCTA's long-range financial plan update in November 1996.

Available Funds

As shown in Table 4, approximately $851 million (83 percent) of OCTA's $1 billion fund balance as of June 30, 1995, is deposited in funds that may be used only for specific transportation purposes:

- Approximately $428 million is restricted to pay for outstanding long-term contracts for expansion of the county's freeway and road systems and for administrative services and supplies.

- Federal grants to OCTA of $114 million are restricted to acquiring capital assets for its bus operations.

- OCTA reserved $78 million for freeway construction projects that, upon completion, become the property of the State.

- OCTA may not receive over $101 million for settlement secured claims related to the county's bankruptcy. The $101 million is the maximum potential loss if OCTA receives nothing from the first priority claims in the bankruptcy litigation. OCTA has already recognized as a loss $120 million related to the second priority claims in bankruptcy litigation and, thus, it is not part of the fund balance shown on Table 4.

- OCTA also set aside a required $65 million of its fund balance to pay the principal and interest on its outstanding long-term debt if other moneys are not available.

- Over $47 million is comprised of OCTA's Measure M resources intended to be used for its commuter rail programs.

- OCTA reserved $7.3 million to pay for professional services and other costs related to the purchase of land for freeway right of way.

- Although OCTA has not specifically reserved approximately $10.7 million for future use, these moneys are restricted for

Measure M-approved projects, OCTA's freeway emergency system, and its removal of abandoned vehicles.

Table 4

Orange County Transportation Authority
Restricted and Unrestricted Fund Balance
June 30, 1995
(in Thousands)

Fund Balance	Measure M	Other Funds	TDA	Total
Total Fund Balance[a]	$ 600,057	$ 151,711	$ 273,355	$ 1,025,123
Less:				
Fund Balance Restricted for Specific Uses:				
Federal grants		113,613		113,613
Measure M funds on deposit in commuter rail funds	47,005			47,005
Construction in process held for Caltrans			78,117	78,117
Debt service	64,851	756		65,607
Encumbrances[b]	418,070	5,218	4,338	427,626
Right of way costs			7,300	7,300
Settlement secured claims	67,168	3,406	30,625	101,199
Senior citizen fare stabilization subsidy program designation	3,948			3,948
Unreserved—undesignated	36	6,712		6,748
Fund Balance Restricted for Specific Uses	601,078	129,705	120,380	851,163
Total Unrestricted Fund Balance	(1,021)[c]	22,006	152,975	173,960
Less:				
Applied to Fiscal Year 1996-97 shortfall[d]			33,022	33,022
Applied to Fiscal Year 1997-98 through Fiscal Year 2010-11 annual shortfall[e]			72,081	72,081
Unrestricted Fund Balance Remaining	**$ (1,021)**	**$ 22,006**	**$ 47,872**	**$ 68,857**

[a] The fund balance presented does not include $147,000 invested in general fixed assets.

[b] An additional $640 million in outstanding contracts is not included although they represent commitments of OCTA.

[c] The negative balance occurs because we have included the entire amount for settlement secured claims as a restriction, whereas OCTA reported in its fund balance only the 98 percent that it expects to receive in the future.

[d] The remaining $5 million of the total $38 million shortfall for fiscal year 1996-97 is comprised of $1.4 million of future interest earnings, $2 million of future TDA planning and administrative costs, and $1.6 million of future rail feeder service costs.

[e] The remaining $1.6 million of the $73.7 million used to set up an annuity to address the shortfall is comprised of $474,000 of future high occupancy vehicle fines, $360,000 of unused moneys from a completed transit project, and $760,000 of costs savings from reduced funding for bike path and sidewalk improvements.

The remaining fund balance at June 30, 1995, that is unrestricted is approximately $174 million. As shown in Table 4, $153 million of this amount is comprised of TDA moneys. However, as discussed on page 18, OCTA plans to use approximately $33 million of TDA funds to compensate for its fiscal year 1996-97 revenue loss, and approximately $72 million of TDA funds to address the revenue loss for fiscal years 1997-98 through 2010-11. This leaves $48 million of OCTA's June 30, 1995, fund balance, which is solely TDA funds, for use for various transportation purposes. The remaining $21 million of the $174 million unrestricted fund balance is largely comprised of moneys used to account for OCTA's internal risk management activities.

Appendix A

Orange County Transportation Authority Revenues and Expenditures Fiscal Years 1991-92 Through 1995-96 (in Thousands)

	FY 1991-92	FY 1992-93	FY 1993-94	FY 1994-95	Budgeted FY 1995-96
Recurring Revenues and Expenditures—					
Revenues:					
Sales tax revenue	$ 189,170	$ 199,614	$ 205,096	$ 214,093	$ 227,092
Interest	32,910	57,145	68,856	36,160	33,707
Transit farebox revenue	28,317	26,771	25,992	25,510	29,749
Federal operating assistance grants	9,679	11,429	10,777	8,990	6,430
Property taxes	7,455	4,757	5,071	4,359	4,850
Registration fees	2,328	4,029	4,070	4,067	4,073
Miscellaneous revenues	1,881	17,533	5,163	3,962	6,844
Total	271,740	321,278	325,025	297,141	312,745
Expenditures:					
Transit and rail operations [a]	89,466	90,059	95,355	87,024	107,146
Contributions to other agencies	24,291	26,821	50,634	41,936	63,157
Principal payments on long-term debt	50,170	31,215	19,810	28,730	29,080
Interest on long-term debt	8,054	16,122	31,936	45,652	42,171
General government [b]	30,341	40,231	49,479	45,119	40,531
Management fees	20,991	24,179	31,434	26,917	29,088
Call boxes	924	1,881	2,798	3,615	3,412
Abandoned vehicles	168	1,459	89	264	43
Total	224,406	231,967	281,535	279,257	314,628
Excess (deficiency) of recurring revenues over expenditures	47,334	89,311	43,490	17,884	(1,883)
Nonrecurring Revenues and Expenditures—					
Revenues:					
Contributions from other governments	0	39,890	7,762	29,900	6,434
Federal capital assistance grants	14,968	18,672	8,567	4,327	32,184
Bond proceeds	0	557,761	203,873	0	0
Total	14,968	616,323	220,202	34,227	38,618
Expenditures:					
Capital outlay	96,702	205,972	107,943	109,789	302,246
Total	96,702	205,972	107,943	109,789	302,246
Excess (deficiency) of nonrecurring revenues over expenditures	(81,734)	410,351	112,259	(75,562)	(263,628)
Transfers:					
Operating transfers in	72,119	167,006	243,672	188,034	151,051
Operating transfers out	(72,119)	(167,006)	(243,672)	(188,034)	(151,051)
Residual equity transfers in	4,683	80,515	0	195,149	0
Residual Equity Transfers Out	(4,683)	(80,515)	0	(195,149)	0
Total	0	0	0	0	0
Potential Bankruptcy Loss:					
Repayment claims	0	0	0	120,280	0
Settlement secured claims	0	0	0	101,199	0
Total	0	0	0	221,479	0
Excess (Deficiency) of Revenues Over Expenditures and Potential Bankruptcy Loss	**$ (34,400)**	**$ 499,662**	**$ 155,749**	**$ (279,157)**	**$ (265,511)**

[a] Excludes depreciation and internal charges for employee health coverage, workers' compensation, and general liability.

[b] Excludes internal charges for employee health coverage, workers' compensation, and general liability.

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Appendix B

Orange County Transportation Authority Restricted and Unrestricted Revenues (in Thousands)

Revenue	Basis for Use	Allowable Uses	Fiscal Year 1994-95 Revenue from Source
RESTRICTED REVENUES			
Measure M Operations			
Sales and use taxes	Public Utilities Code, Sections 180205, 180251, 180260 Orange County Local Transportation Authority Ordinance Number 2 Sales Tax Revenue Bonds Official Statements	• Construction and improvement of state and federal highways • Construction, maintenance, improvement, and operation of local streets, roads, and highways • Construction, maintenance, improvement, and operation of transit services and facilities (bus, rail, and rapid transit) • Payment of principal and interest on sales tax revenue bonds • Pledge as security for sales tax revenue bonds	$138,261
Contributions from other governments	Contracts, Agreements, Memoranda of Understanding	• Specific projects as stated in contracts and agreements	27,588
Interest	Orange County Local Transportation Authority Ordinance Number 2 Sales Tax Revenue Bonds Official Statements	• Construction and improvement of state and federal highways • Construction, maintenance, improvement, and operation of local streets, roads, and highways • Construction, maintenance, improvement, and operation of transit services and facilities (bus, rail, and rapid transit) • Payment of principal and interest on sales tax revenue bonds • Pledge as security for sales tax revenue bonds	23,600
Total Measure M Revenues			189,449
Bus and Rail Operations			
Passenger fares	OCTA Board of Directors 1990 Certificates of Participation Official Statement	• Operating costs of public transportation systems • Payment of principal and interest on outstanding indebtedness • Pledge as security for certificates of participation	25,510
Federal grants	United States Code, Title 23, Sections 133, 149	• Highway construction and improvements • Carpool projects and bikeways • Surface transportation planning • Transportation enhancement activities • Transportation activities that contribute to air quality improvement	13,317

Revenue	Basis for Use	Allowable Uses	Fiscal Year 1994-95 Revenue from Source
Federal grants (continued)	United States Code, Title 49, Sections 5307, 5309, 5310 1993 Certificates of Participation Official Statement	• Capital projects and operating costs for mass transportation • Capital projects for fixed guideway systems • Transportation projects to assist services for elderly and disabled persons • Payment of principal and interest on outstanding indebtedness • Pledge as security for outstanding indebtedness	
Interest	Public Utilities Code, Section 99301	• Capital, operating, and maintenance costs of public transportation systems and passenger rail services	8,070
Property taxes	1993 Certificates of Participation Official Statement	• Payment of principal and interest on outstanding indebtedness • Pledge as security for outstanding indebtedness	4,359
Total Bus and Rail Revenues			51,256
Other Operations			
Transportation Development Act sales and use taxes	Public Utilities Code, Sections 99233.1 to 99233.9, 99260, 99262, 99275, 99301, 99312, 99400 1993 Certificates of Participation Official Statement	• Administrative costs • Transportation planning and programming • Pedestrian and bicycle facilities • Capital, operating, and maintenance costs of public transportation systems and rail passenger service operations • Public transportation research • Community transit services • Acquisition and construction of other major capital improvements • Payment of principal and interest on outstanding indebtedness • Pledge as security for certificates of participation	73,808
Transportation Development Act gasoline and diesel fuel sales and use taxes	Public Utilities Code, Sections 99275, 99312, 99313, 99313.3, 99313.6, 99314, 99400 California Code of Regulations, Title 21, Sections 6730, 6731 1993 Certificates of Participation Official Statement	• Community transit services • Capital and operating costs of public transportation systems and rail passenger service operations • Transportation services and planning • Payment of principal and interest on outstanding indebtedness • Pledge as security for certificates of participation	2,024
Vehicle registration fees	Streets and Highways Code, Sections 2557, 2558 Vehicle Code, Section 22710 1987 Certificates of Participation (SAFE) Official Statement	• Implementation, maintenance, and operation of a motorist aid system of call boxes • Motorist aid services or support • Costs to review motorist aid plan and any amendments • Abatement, removal, and disposal of abandoned, wrecked, dismantled, or inoperative vehicles from public and private property in Orange County • Payment of principal and interest on outstanding indebtedness • Pledge as security for outstanding indebtedness	
Interest	Public Utilities Code, Sections 99301, 99301.5, 99301.6	• Administrative costs • Transportation planning and programming	2,472

Revenue	Basis for Use	Allowable Uses	Fiscal Year 1994-95 Revenue from Source
	California Code of Regulations, Title 21, Section 6750(d)	• Pedestrian and bicycle facilities • Public transportation research • Community transit services Acquisition and construction of other major capital improvements • Allocations to Orange County, Orange County cities, OCTA, and Department of Transportation for state highway programs and local street and road improvements	
	1987 Certificates of Participation Official Statement	• Payment of principal and interest on outstanding indebtedness • Pledge as security for certificates of participation	
Contributions from other governments	Contracts, Agreements, Memoranda of Understanding	• Specific projects as stated in contracts and agreements	2,312
Fines	Penal Code, Section 1463.26	• Improve traffic flow and traffic operations on the state highway system in the county	122
Total Other Revenues			84,805
Total Restricted Revenues			325,510
<u>UNRESTRICTED REVENUES</u>			
Measure M Operations			
Miscellaneous			104
Bus and Rail Operations			
Miscellaneous			3,138
Other Funds			
Miscellaneous			598
Interest			2,018
Total Unrestricted Revenues			5,858
TOTAL REVENUES			**$331,368**

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Appendix C

Orange County Transportation Authority Debt Issues, Including Purpose, Amount and Source of Repayment

Debt Series	Purpose	Original Principal	Source of Principal Repayment—Dedicated Fund Sources
Certificates of Participation Freeway Call Box System Acquisition Program 1987 September 1987	Provide funds for the acquisition and installation of a motorist aid freeway call box system	$ 4,945,000	Vehicle registration fees and related interest
Certificates of Participation 1990 Bus Acquisition Project 1990 December 1990	Acquisition and improvement of newly manufactured buses and the acquisition of spare parts for those buses	13,655,000	Farebox revenues and contract service revenues collected in connection with bus operations
Certificates of Participation California Transit Finance Corporation, 1993 Series C 1993 June 1993	Finance the acquisition of up to 90 transit vehicles and certain miscellaneous equipment related to the vehicles	21,100,000	Federal Transit Administration (FTA) Section 9 grants, Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) allocations, and property taxes
Measure M Sales Tax Revenue Bonds, First Senior Bonds 1992 August 1992	Finance a portion of the costs of the Revised Orange County Traffic Improvement and Growth Plan, a $3.1 billion program to improve freeways, streets and roads, and transit within the county	350,000,000	Sales tax revenues and related interest
Measure M Sales Tax Revenue Bonds, Second Senior Bonds 1992 September 1992	Finance a portion of the costs of the Revised Orange County Traffic Improvement and Growth Plan, a $3.1 billion program to improve freeways, streets and roads, and transit within the county	190,000,000	Sales tax revenues and related interest
Measure M Sales Tax Revenue Bonds, Second Senior Bonds 1994 February 1994	Finance a portion of the costs of the Revised Orange County Traffic Improvement and Growth Plan, a $3.1 billion program to improve freeways, streets and roads, and transit within the county	200,000,000	Sales tax revenues and related interest