




December 2, 2024

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Quarterly Progress Report for the Period of July 2024 through September 2024

Overview

Staff has prepared the Measure M2 Quarterly Progress Report for the first quarter of fiscal year 2024-25 as information for the Orange County Transportation Authority Board of Directors. This progress report highlights the delivery of Measure M2 projects and programs as promised to voters and the monitoring of external challenges. The full report will be available to the public via the Orange County Transportation Authority website.

Recommendation

Receive and file as an information item.

Background

On November 7, 2006, Orange County voters, by nearly 70 percent, approved the Renewed Measure M (M2) Transportation Investment Plan (Plan), a one half-cent sales tax for transportation improvements. Effective in 2011, the Plan provides a 30-year program of investments across a broad range of transportation and environmental initiatives and a governing ordinance, Ordinance No. 3 (M2 Ordinance), that defines the requirements for implementing the Plan. The M2 Ordinance designates the Orange County Transportation Authority (OCTA) as responsible for administering the Plan and ensuring that OCTA's contract with the voters is followed. The M2 Ordinance also charges OCTA to provide for a number of transparency measures and safeguards to uphold and reciprocate the public's trust in OCTA.

OCTA is committed to fulfilling the promises made to secure voter approval of the M2 initiative. This means completing the projects described in the Plan and adhering to numerous specific requirements, safeguards, and transparency provisions identified in the M2 Ordinance. One such requirement is the publication of quarterly status reports on the projects detailed in the Plan and its presentation to the Board of Directors (Board). This report is built on individual

project and program-level staff reports that are regularly presented to the Board, covering the status of various activities in the Plan.

Discussion

This quarterly report reflects activities and progress across all M2 programs for the period of July 1, 2024, through September 30, 2024 (Attachment A). The quarterly report also includes project budget and schedule information as provided in the Capital Action Plan reports to the Board. Additionally, information on the Local Fair Share and Senior Mobility Program payments made to cities during the quarter is also included.

OCTA has established the Program Management Office, charged with providing unified oversight to ensure compliance, fiscal responsibility, transparency, and accountability as laid out in the M2 Ordinance and Plan. Attachment A includes a summary of the Program Management Office (PMO) activities.

The following provides highlights of M2 accomplishments during the quarter by mode, notable items under the PMO activities, and key challenges that OCTA is monitoring and working to address.

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. To date, 14 project segments are complete, and another 13 are underway and expected to be completed by 2030. The 13 project segments that are underway include four projects that are in construction, eight that are in final design, and a joint project with the Riverside County Transportation Commission. The joint project will improve State Route 91 between State Route 241 and State Route 71. Completing these 13 projects would bring the total number of completed projects to 27 by 2030, equating to approximately 90 percent of the M2 Freeway Program. The remaining three project segments are in various stages of project development. Notable freeway program highlights that occurred during the quarter are below.

- Interstate 5 between State Route 73 to El Toro Road – A project update on construction activities was provided to the Board on August 12, 2024. This project is comprised of three segments, each at various stages of completion (between 90 and 98 percent) and includes two interchange improvements at Avery Parkway and La Paz Road. The project is anticipated to be complete by early 2025. (Projects C and D)
- State Route 57 northbound from Orangewood Avenue to Katella Avenue – On July 8, 2024, the Board approved the release of a request for proposals for construction management support services. Proposals were

due on August 7, 2024; seven proposals were received. The project is anticipated to be advertised for construction in mid-2025. (Project G)

Streets and Roads

Since 2011, more than \$1.2 billion^{1,2} has been allocated to local jurisdictions for transportation improvements through M2 streets and roads programs, which includes two competitive and one formula-based funding program. In addition, OCTA was able to leverage nearly \$53.9 million in external funding to support these programs. To date, 486 project phases have been allocated through M2 competitive streets and roads funding programs, of which 350 phases, or approximately 72 percent, have been completed. Notable streets and roads highlights that occurred during the quarter are below.

- On August 12, 2024, the Board authorized staff to issue the 2025 annual call for projects (call) for the Regional Capacity Program and Regional Traffic Signal Synchronization Program (RTSSP). Applications for the call were due on October 24, 2024. Based on project selection criteria specified in the 2025 guidelines, projects are anticipated to be presented for Board consideration in spring 2025. (Projects O and P)
- On September 9, 2024, an update on the RTSSP was provided to the Board, highlighting the successful implementation of 107 traffic signal synchronization timing projects, with another 26 projects planned or underway. The completed projects have reduced average travel time by 13 percent and the average number of stops by 29 percent, with average speed improving by 14 percent. (Project P)
- Through the Local Fair Share Program, 18 percent of M2 net revenues are allocated by formula to eligible local jurisdictions. During the quarter, nearly \$24 million was disbursed, bringing the total provided through September 2024 to nearly \$748 million^{1,2}. (Project Q)

Transit

The M2 transit mode includes several programs designed to provide expanded transportation options. M2 is the primary funding source for Southern California Regional Rail Authority (Metrolink) commuter rail service in Orange County and

¹ Only includes disbursed funds. On May 28, 2024, the Board determined the City of Buena Park ineligible to receive net M2 revenues for five years pursuant to Section 10.4 of the M2 Ordinance. Disbursements of net M2 revenues have been suspended until the City of Buena Park reestablishes eligibility.

² On May 28, 2024, the Board determined the City of Orange ineligible to receive net M2 revenues. Disbursements of net M2 revenues have been suspended until the City of Orange achieves compliance and the Board reconsiders the matter at a future meeting.

includes funding for rail projects to improve operations and transit connections to extend the reach of the service. Compared to the same quarter last year, ridership levels on all three lines has increased by 27 percent. Additional Metrolink challenges are discussed in the Challenges section of this report.

Since 2011, M2 has provided competitive multi-year transit funding commitments for bus and station van services connecting to Metrolink (\$483,133 to date), community-based transit circulators (\$80.8 million to date), and bus stop improvements (\$2.9 million to date). In addition, M2 provides a set amount of annual funding to support three programs (Senior Mobility Program, Senior Non-Emergency Medical Transportation Program, and Fare Stabilization Program) intended to expand mobility options for seniors and persons with disabilities (\$139.3 million^{3,4} to date). Other notable transit program activities from the quarter are below.

- **Emergency Coastal Rail Projects Update and Planning for the Future –** On September 9, 2024, the Board received an update on the initial conceptual solutions that identified sites recommended for monitoring and reinforcement within the coastal rail corridor in south Orange County. The update included feedback on the initial assessment and progress on the implementation of the preliminary potential solutions. (Project R)
- **OC Streetcar –** A quarterly update was presented to the Board on July 22, 2024, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, the contractor continued the installation of wires on overhead contact system poles in the Pacific Electric Right-of-Way, street repairs at various locations, and continued platform and electrical systems work at several stations. In addition, interior work continued at the maintenance and storage facility with exterior paving completed. (Project S)
- **Community-Based Transit Circulators –** The Board received a ridership report on August 12, 2024, sharing that all community shuttles in operation met the required program performance standards. When comparing this reporting period to the prior year, ridership has increased for six out of ten of the services and only decreased for one service. Additionally, on September 23, 2024, the Board approved programming

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recommendations for the 2024 M2 Community-Based Transit Circulators call for 13 projects totaling approximately \$42.4 million. (Project V)

Environmental Programs

The M2 program includes two innovative programs: the Environmental Cleanup Program (ECP) and the Environmental Mitigation Program (EMP). The ECP improves water quality by addressing transportation-related pollutants, while the EMP offsets the biological habitat impacts of M2 freeway projects.

Since 2011, the ECP has allocated more than \$59.7 million to local jurisdictions for 208 projects for trash removal devices (Tier 1) and 18 projects for large-scale water quality best management practices projects (Tier 2). It is estimated that 69.5 million gallons of trash have been captured since the inception of the program, which equates to over 12,000 trash truck loads of garbage that could have been deposited in Orange County streams and waters.

Additionally, the Board has authorized \$55 million for the EMP to acquire conservation lands and fund habitat restoration projects. OCTA has acquired more than 1,300 acres and funded 12 projects to restore habitat on 350 acres of open space across Orange County to fulfill the necessary M2 Freeway Program mitigation needs.

The wildlife and habitat on the acquired lands are protected in perpetuity, and long-term management of the properties will be funded by an endowment that is being established. In July 2024, OCTA made its ninth annual deposit of approximately \$2.9 million. As of September 2024, the balance of the endowment was \$32,759,657. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in fiscal year (FY) 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

A biannual update for the EMP was presented to the Board on July 8, 2024. The update highlighted progress on the Conversation Plan fire management plans, restoration projects, coordination with Southern California Edison, and an update on one of the conservation properties. The 2023 Conservation Plan Annual Report, which highlights the implementation process for calendar year 2023, was reviewed by the Wildlife Agencies and is anticipated to be shared with the Environmental Oversight Committee and Board in late 2024.

Market Conditions Forecast and Risk Analysis

At the Board's direction, OCTA contracts with two local economists to monitor and analyze key early warning indicators affecting the construction market. The information is incorporated in a cost pressure index model to identify potential

cost risk factors on M2 project delivery. The fall 2024 update was presented to the Board on October 28, 2024, which indicated that OCTA may experience a tempering of inflationary pressures in 2025, 2026, and 2027, and a softening macroeconomy. This is due to a crosscurrent of inputs as there is a decline in residential building permits, an increase in California unemployment rates, yet an increase in the cost of construction materials and labor. Staff will continue to monitor market conditions and provide updates to the Board as appropriate.

Sales Tax Revenue Forecast/Next 10 Delivery Plan (Next 10 Plan)

The 2024 M2 sales tax forecast of \$14 billion was presented to the Board on October 14, 2024. This represents a -5.4 percent or \$800 million decrease from the 2023 forecast. The latest sales tax revenue forecast, current programmed external revenues, and refined project information were incorporated into the annual review and update of the Next 10 Plan. The 2024 review of the Next 10 Plan was presented to the Board on November 12, 2024, which confirmed that M2 remains deliverable as promised to voters.

Ten-Year Review

The M2 Ordinance includes a provision to conduct a ten-year comprehensive program review of all projects and programs under the Plan to evaluate the performance of the overall program. Due to the early initiation of project development activities prior to the start-up of revenue collection in 2011, the first review was completed in 2015. The second effort is underway and is anticipated to be completed in late 2025. As part of this effort, on September 23, 2024, staff held an M2 workshop for the Board which provided an overview of M2 and included the formative principles, comprehensive set of programs and projects, safeguards, progress made to date, and upcoming critical milestones. In addition, on October 14, 2024, staff presented a framework and schedule for the ten-year review, which will be facilitated by the PMO with participation from the various OCTA divisions. Outreach efforts are anticipated to begin in late 2024.

Challenges

As with all major programs, challenges arise and need to be monitored and addressed. A few key challenges are highlighted below.

- Close monitoring of Metrolink operations is necessary to ensure sustainability through 2041. The coronavirus pandemic significantly affected Metrolink's ridership. Metrolink ridership recovery continues to struggle, which impacts farebox revenues and cost recovery affecting the program's overall funding. The funding shortfall is further compounded by a rise in operating costs. The 2024 Next 10 Plan cashflow includes the assumption of Transit and Intercity Rail Program formula funds to help

sustain Metrolink operations. However, without changes in service levels, ridership growth, and operations and rehabilitation costs or additional external funds, the current service cannot be sustained beyond FY 2037-38 after an infusion of a one-time state transit funding assistance. On October 21, 2024, Metrolink implemented a new pilot train schedule which offers increased frequency, better connections, and increased service during weekdays. This optimized schedule aims to address service gaps, offer better transit times, and make more efficient use of equipment and crews as Metrolink adjusts the focus from commuter rail to regional rail to broaden its market and increase ridership. OCTA will continue to engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.

- Over the past several years, coastal storm surges, combined with several other environmental factors, have damaged the Los Angeles – San Diego – San Luis Obispo (LOSSAN) rail corridor. These events have required increased maintenance and emergency repairs to stabilize the rail infrastructure. The emergency repairs have also led to intermittent service loss and delays. Although the affected portion of the railroad tracks in the City of San Clemente is located in Orange County, this rail corridor is vital for Metrolink and state-supported intercity rail (Pacific Surfliner), freight connection to the Port of San Diego, and plays a strategic role in the operations of Camp Pendleton. In partnership with key stakeholders, a planning study is underway to identify and evaluate immediate as well as short- and medium-term solutions to protect the rail line in place. A separate study will follow to assess potential long-term solutions, which may include relocation of the rail line. The California State Transportation Agency has committed to leading the long-term study to plan for future investments necessary to ensure a resilient LOSSAN corridor. As these studies progress, future updates to the Next 10 Plan will incorporate more current information.
- The OC Streetcar project has faced unforeseen utility conflicts and conditions, contaminated soils, construction quality control and contractor non-compliance, oversight and approvals, and several change requests, which affect operational-related milestones such as vehicle delivery and testing. In fall 2022, OCTA worked with the Federal Transit Administration (FTA) on a comprehensive project risk, cost, and schedule assessment, consistent with achieving 75 percent construction completion. The FTA identified a cost of \$579.16 million to complete the project and a risk-based revenue service date of August 2025. Staff is working with the FTA to conduct another comprehensive project risk, cost, and schedule assessment; results are anticipated to be presented to the Board in 2025.

Staff will continue to monitor these challenges to ensure M2 remains deliverable as promised to voters and provide updates to the Board as appropriate.

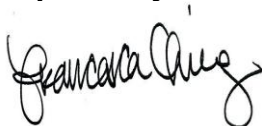
Summary

A quarterly report covering activities from July 2024 through September 2024, is provided to update progress in implementing the Plan. The above information and the attached details indicate significant progress on the overall M2 Program despite facing challenges. To be cost-effective and to facilitate accessibility and transparency of information available to stakeholders and the public, the M2 Quarterly Progress Report is made available through the OCTA website.

Attachment

- A. Measure M2 Quarterly Progress Report, First Quarter of Fiscal Year 2024 - 25, July 1, 2024 through September 30, 2024

Prepared by:



Francesca Ching
Section Manager,
Measure M2 Program Management Office
(714) 560-5625

Approved by:



Kia Mortazavi
Executive Director, Planning
(714) 560-5741