




**September 2, 2022**

**To:** Executive Committee

**From:** Darrell E. Johnson, Chief Executive Officer 

**Subject:** Measure M2 Quarterly Progress Report for the Period of April 2022 Through June 2022

### **Overview**

Staff has prepared the Measure M2 Quarterly Progress Report for the fourth quarter of fiscal year 2021-22 as information for the Orange County Transportation Authority Board of Directors. This report highlights progress on Measure M2 projects and programs and it is 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 Transportation Investment Plan (Plan) for the Measure M2 (M2) one half-cent sales tax for transportation improvements. The Plan provides a 30-year revenue stream for a broad range of transportation and environmental initiatives, as well as a governing ordinance, which defines the requirements for implementing the Plan. Ordinance No. 3 (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.

OCTA is committed to fulfilling the promises made in M2. This means not only completing the projects described in the Plan but also adhering to numerous specific requirements and high standards of quality identified in the M2 Ordinance. The M2 Ordinance requires that quarterly status reports regarding the major projects detailed in the Plan be brought to the Board of Directors (Board). The Board is also provided with individual project staff reports and an overall report on the status of various capital projects by the Capital Programs Division.

***Discussion***

This quarterly report reflects current activities and progress across all M2 programs for the period of April 1, 2022, through June 30, 2022 (Attachment A). The report includes project budget and schedule information as provided and reported in the Capital Action Plan. Information on the Local Fair Share and Senior Mobility Program (SMP) payments made to cities during the quarter is also included.

Additionally, Attachment A includes a summary of the Program Management Office (PMO) activities, of which two areas are highlighted below.

**M2 Annual Public Hearing/M2 Ordinance Safeguards**

The Taxpayer Oversight Committee (TOC) met on June 14, 2022, to conduct the required annual M2 public hearing and determined that M2 is being delivered as promised to Orange County voters for the 31st consecutive year. In support of the above effort, PMO staff previously completed and shared the annual update of the M2 Ordinance compliance tracking matrix with the TOC on April 12, 2022, as a resource for committee members.

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

OCTA contracts with four entities to annually forecast M2 taxable sales: MuniServices, LLC, and three universities including Chapman University, California State University, Fullerton (CSUF), and the University of California, Los Angeles (UCLA). Updated sales tax forecasts were provided to the Finance and Administration Committee first by MuniServices, LLC May 11, 2022, followed by Chapman University on June 8, 2022, CSUF on July 13, 2022, and UCLA on July 27, 2022. OCTA's Board-approved sales tax forecast methodology is to utilize the MuniServices, LLC forecast for the first five years and the three-university average for the remaining years. The 2022 M2 sales tax revenue forecast will incorporate these forecasts along with final sales tax receipts for fiscal year (FY) 2021-22; it is anticipated to be presented to the Board in September 2022.

The updated sales tax revenue forecast will be incorporated into the annual review and update of the Next 10 Plan. The 2022 review of the Next 10 Plan is underway and is anticipated to be presented to the Board in November 2022.

### Progress Update

The following provides an overview of M2 accomplishments to date by mode, as well as highlights of activities that occurred during the fourth quarter of FY 2021-22.

### Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. To date, 13 project segments are complete, five are in construction, and another eight are in or nearing final design. The remaining four project segments are in various stages of project development. A few freeway highlights during the quarter are noted below.

- Interstate 5 (I-5) El Toro Road Interchange – A project update was presented to the Regional Planning and Highways Committee (RP&H) on May 2, 2022, and to the Board on May 9, 2022. Staff also shared these updates at city council meetings at the cities of Laguna Woods on May 26, 2022, Lake Forest on June 7, 2022, and Laguna Hills on June 28, 2022. (Project D)
  
- State Route 55 between Interstate 405 (I-405) and I-5 – The California Department of Transportation (Caltrans) advertised the project for construction on December 6, 2021, opened bids on March 10, 2022, and awarded the contract on May 27, 2022, which was followed by its approval on June 16, 2022. (Project F)
  
- I-405 between State Route 73 and Interstate 605 – Construction on the project is proceeding and a quarterly project update was provided to RP&H on May 2, 2022, and to the Board on May 9, 2022. During the quarter, the Fairview Road bridge was completed and opened to traffic, bringing the total to nine of the 18 bridge replacements fully completed. The project is approximately 80 percent complete. (Project K)

### Streets and Roads

Since 2011, more than \$1.05 billion, which includes nearly \$53.9 million in leveraged external funds, has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. To date, 455 project phases have been allocated through M2 competitive streets and roads funding programs, of which 312 phases, equating to approximately 69 percent, have been completed.

M2 has also provided \$152.6 million, a portion of the \$666.5 million total program costs to grade separate seven streets and rail crossings, leveraging the majority of the funds (\$513.9 million) from local, state, and federal sources.

On May 9, 2022, the Board approved programming recommendations for the 2022 Regional Capacity Program and Regional Traffic Signal Synchronization Program call for projects for 14 projects totaling \$26.4 million. (Project O and Project P)

### Transit

The M2 transit mode includes several programs designed to provide additional transportation options. M2 is the primary funding source for Southern California Regional Rail Authority (Metrolink) commuter rail service in Orange County and includes funding for rail station improvements and transit connections to extend the reach of the services. Due to the coronavirus (COVID-19) pandemic, Metrolink implemented temporary service reductions. In April 2022, Metrolink partially restored some service in response to customer feedback and demand for more train trips. The three lines serving Orange County currently operate 45 weekday trains, 17 percent less service compared to the 54 weekday trains prior to COVID-19-related service reductions. During the quarter, ridership recovery continued to trend positively yet below expectations. Total boardings on the three lines are approximately 62 percent lower compared to the same quarter of FY 2018-19. Metrolink's forecast suggests that full recovery of ridership could take over 24 months. As ridership continues to recover, Metrolink and OCTA will continue to reassess the service needs in Orange County.

Since 2011, M2 has provided competitive multi-year transit funding commitments for bus and station van extension services connecting to Metrolink (\$483,133 to date), local community-based transit circulators and planning studies (\$40 million to date), and bus stop improvements (\$2.9 million to date). In parallel, M2 also provides a set amount of funding to support three programs intended to expand mobility choices for seniors and persons with disabilities (\$105.3 million<sup>1</sup> to date). A few transit highlights from the quarter are noted below.

- South Orange County Rail Station Feasibility Study – On April 25, 2022, the Board approved the selection of a consultant to conduct a feasibility study for a new passenger rail station between the existing Laguna Niguel/Mission Viejo Metrolink station in the City of Mission Viejo and the San Clemente Metrolink station in the City of San Clemente. (Project R)

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<sup>1</sup> Only includes disbursed funds. On October 12, 2020, the Board approved a temporary exception to the SMP guidelines, which allows for OCTA to hold allocations in reserve for agencies with suspended services due to the COVID-19 pandemic. The funds will be held until the state lifts the State of Emergency or transportation services resume, whichever occurs first.

- OC Streetcar – A quarterly update was presented to the Transit Committee on April 14, 2022, and to the Board on April 25, 2022, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, construction activities continued with the completion and reopening of the westbound lane on Fourth Street between Bush Street and French Street, installation of embedded track along Santa Ana Boulevard, Mortimer Street, and Fourth Street, and completion of the steel framework at the maintenance and storage facility. (Project S)

#### 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 impacts of M2 freeway projects.

Since 2011, the ECP has allocated approximately \$54.1 million to local jurisdictions for 188 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 nearly 45.3 million gallons of trash have been captured since the inception of the program, which is the equivalent of filling nearly 105 football fields with one foot deep of trash.

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 (Preserves) 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 established endowment. The performance of the fund may affect the timeframe for full funding of the endowment. As of June 30, 2022, the balance of the endowment was \$19,332,924, which is below the FY 2021-22 target amount of \$20,076,431. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28.

During the quarter, a biannual update for the EMP was presented to RP&H on June 6, 2022, and to the Board on June 13, 2022. The update highlighted progress on the OCTA-funded restoration project, fire management plans, Clean Water Act permits, projects that benefitted from EMP, and docent-led hikes and equestrian rides on the Preserves.

## Challenges

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

- 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 latest update, which was presented to the Board in October 2021, pointed to more volatile market conditions in the near term. Recent transportation infrastructure construction bids in the region continue to escalate with material, labor, and fuel prices driving construction costs up. Contractors continue to report various supply shortages, including the availability of concrete due to a prolonged regional cement shortage, which could affect the ability to order, as well as affect delivery schedules from suppliers. The next update of the market conditions forecast and risk analysis is anticipated to be presented to the Board in October 2022. Staff will continue to monitor market pricing trends and material availability, along with the impacts on construction in the region.
  
- The environmental phase of the I-5 El Toro Road Interchange Project was originally anticipated to be completed by the end of 2019; however, the lack of consensus on a project alternative has delayed the completion. Built into M2 is a promise that projects would be delivered in cooperation with local agencies. As such, efforts to reach a consensus have continued between OCTA, Caltrans, and the cities of Laguna Hills, Laguna Woods, and Lake Forest. In September 2020, an assessment was initiated to analyze all alternatives. The assessment was completed in October 2021, which resulted in the development of an additional seven alternatives. In March 2022, OCTA held meetings with the three cities and Caltrans to obtain consensus on which alternatives will be included in the environmental process. This quarter, a project update was presented to RP&H on May 2, 2022, and to the Board on May 9, 2022. Staff presented the alternatives to the three cities in May and June, respectively. An amendment to the cooperative agreement with Caltrans was approved by the Board on August 8, 2022, to reinstate the environmental phase.
  
- The OC Streetcar Project has faced many challenges, such as unforeseen utility conflicts and conditions, contaminated materials, construction quality control, and compliance, added oversight and approvals, and several change requests. Staff will continue assessing project risks and make regular reports to the Board on the status of construction and expenditures.

- COVID-19 has affected many elements of M2, such as sales tax revenues, traffic patterns, transit ridership, and administrative processes. On a semi-annual basis, projects funded through the Comprehensive Transportation Funding Programs are reviewed to provide opportunities for local agencies to update project information and request project modifications. For the March 2022 review, 79 of the 127 total project adjustment requests were at least partially COVID-19-related. These adjustments were approved by the Board on July 11, 2022.

Staff will continue to monitor all COVID-19 impacts and program challenges closely to ensure M2 remains deliverable as promised to voters.

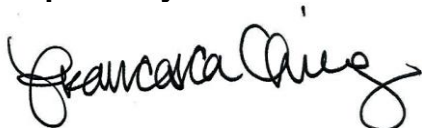
### ***Summary***

A quarterly report covering activities from April 2022 through June 2022, 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. Hard copies are available by mail upon request.

### ***Attachment***

- A. Measure M2 Quarterly Progress Report, Fourth Quarter of Fiscal Year 2021-22, April 1, 2022 through June 30, 2022

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