




**December 5, 2022**

**To:** Executive Committee

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

**Subject:** Measure M2 Quarterly Progress Report for the Period of July 2022 through September 2022

**Overview**

Staff has prepared the Measure M2 Quarterly Progress Report for the first quarter of fiscal year 2022-23 as information for the Orange County Transportation Authority Board of Directors. This report highlights progress on Measure M2 projects and programs and 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 program of investments across a broad range of transportation and environmental initiatives and a governing ordinance that 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 and program-level staff reports on the status of various initiatives included in the Plan.

***Discussion***

This quarterly report reflects current activities and progress across all M2 programs for the period of July 1, 2022, through September 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.

**Market Conditions Forecast and Risk Analysis**

At the Board's direction, OCTA contracts with two local economists to monitor and analyze critical early warning indicators affecting the construction market. The information is analyzed biannually and incorporated in a cost pressure index model to identify potential cost risk factors on M2 project delivery. The results of the fall analysis were presented to the Board on October 10, 2022, and identified a potential that OCTA may experience a high inflationary cost environment in 2023 and 2024. Major contributing factors include low unemployment rates coupled with high inflation rates, which could result in rising labor and material prices. Despite the Federal Reserve raising interest rates to curb inflation, the national and regional labor market remains strong. Additionally, some material costs saw large increases, specifically Portland Cement Concrete pavement, aggregate base, and steel bar. Staff will continue to monitor market conditions and provide updates to the Board as appropriate.

**Next 10 Delivery Plan (Next 10 Plan)**

The Next 10 Plan aims to strategically deliver certain M2 freeway, roadway, transit, and environmental projects over a ten-year timeframe. To do so, staff annually reviews and updates the cash flow for the complete M2 Plan to ensure that all projects and programs can be delivered through 2041 consistent with commitments to voters. Revenues and expenses were merged into a high-level cash flow model, which incorporated the 2022 sales tax revenue forecast of \$15 billion (presented to the Board on September 27, 2022), updated project costs and schedules, and the fall update of the market conditions forecast and risk analysis (as noted in the section above). The 2022 update of the Next 10 Plan covering fiscal year (FY) 2022-23 through FY 2031-32 was presented to the Board on November 14, 2022; it confirmed that strategic financial decisions to date result in an expedited delivery plan that fulfills OCTA's commitment to the voters of Orange County.

### Progress Update

The following provides an overview of M2 accomplishments to date by mode, and highlights of activities that occurred during the first quarter of FY 2022-23.

### 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 eight are in final design. Completing these projects would bring the total number of completed projects to 26 by FY 2029-30, equating to approximately 87 percent of the M2 Freeway program. The remaining four project segments are in various stages of project development. A few freeway highlights during the quarter are noted below.

- State Route 55 (SR-55) between Interstate 405 (I-405) and Interstate (I-5) – SR-55 is a vital north-south freeway that links central Orange County and beyond to the coastal region. A groundbreaking event was held on July 28, 2022, marking the start of construction. This project will make several improvements in both directions of the freeway in the cities of Irvine, Santa Ana, and Tustin and is anticipated to be completed in 2027. (Project F)
- State Route 57 (SR-57) northbound from Lambert Road to Tonner Canyon Road – The California Department of Transportation completed a project study report (PSR) in 2001; however, due to the changing conditions on SR-57 since then, it was decided a new PSR/project development support (PDS) document should be prepared. On March 15, 2022, OCTA issued a request for proposals for consultant services to prepare a new PSR/PDS. Proposals were received on April 1, 2022, and the Board approved the consultant selection on July 11, 2022. Allowing time for cost negotiations and contract execution, the consultant is anticipated to begin the study in late 2022. (Project G)
- I-405 between State Route 73 (SR-73) and Interstate 605 (I-605) – A project update was presented to the Regional Planning and Highways Committee on August 1, 2022, and the Board on August 8, 2022, providing progress on construction, risk monitoring, and outreach efforts. During the quarter, the Westminster Boulevard bridge and Heil Street pedestrian overcrossing were completed and opened to traffic, bringing the total to 11 of the 18 bridge replacements fully completed. The project is approximately 85 percent complete. (Project K)

### Streets and Roads

Since 2011, more than \$1.07 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 317 phases, equating to approximately 70 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 August 8, 2022, the Board approved revisions to the Comprehensive Transportation Funding Program (CTFP) guidelines, and the release of the 2023 Regional Capacity Program (RCP) and Regional Traffic Signal Synchronization Program (RTSSP) call for projects (call) for up to \$45 million. Applications were due on October 20, 2022; programming recommendations are anticipated in spring 2023. (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 projections. Total boardings on the three lines are approximately 61 percent lower compared to the same quarter of FY 2018-19. 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 extension services connecting to Metrolink (\$483,133 to date), local community-based transit circulators and planning studies (\$40 million to date), and transit stop improvements (\$2.9 million to date).

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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 (\$107.9 million<sup>1</sup> to date). A few transit highlights from the quarter are noted below.

- OC Streetcar – A quarterly update was presented to the Transit Committee on July 14, 2022, and to the Board on July 25, 2022, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, construction activities continued with the completion of the Fairview Street and Fifth Street at-grade crossings, installation of embedded track on Santa Ana Boulevard between Santiago Street and Minter Street, and the completion of several key intersections in Downtown Santa Ana. In addition, the Board approved a consultant selection on July 25, 2022, to plan and implement a safety awareness and public education program to provide safety information and promote public awareness during the pre-revenue testing phase of the OC Streetcar project. (Project S)
- Community-Based Transit Circulators – A ridership report was provided to the Transit Committee on July 14, 2022, and to the Board on July 25, 2022. The program is successfully emerging from the pandemic as ridership and service levels have increased in comparison to the same time period from the previous year. During the quarter, ridership and engagement from the public in utilizing seasonal transit options continued to trend positively. As a result, services such as the Dana Point Summer Trolley restored operations to pre-pandemic service levels and the Laguna Beach Summer Breeze augmented its schedule to provide additional weekend service offerings. (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 impacts of M2 freeway projects.

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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, allowing 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 until transportation services resume, whichever occurs first.

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. In July 2022, OCTA made its seventh annual deposit of approximately \$2.9 million. As of September 30, 2022, the balance of the endowment was \$21,276,964, which is below the FY 2022-23 target amount of \$24,015,673. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

#### Other

The CTFP is the mechanism which OCTA uses to administer funding for roadway, signal synchronization, transit, and water quality projects. Semi-annually, staff conducts a comprehensive review of CTFP projects using the Board-approved guidelines to determine the continued viability and delivery of projects, confirm availability of local match funds, ensure timely closeout of all projects, and address local jurisdiction concerns or any other project-related issues. During the quarter, staff conducted the September 2022 CTFP semi-annual review. Through this process, staff met with representatives from select local jurisdictions and reviewed all active project phases as well as timely use of funds provisions for Local Fair Share and Senior Mobility Program; it was determined that no time sensitive adjustments are needed for this review cycle. This was presented to the Technical Advisory Committee (TAC) on November 9, 2022, with no concerns voiced from the local jurisdictions. These adjustments will be incorporated as part of the next semi-annual review in March 2023.

## Challenges

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

- As shared with the Board in September 2022, Metrolink ridership has struggled to recover from COVID-19, continuing the impacts of farebox revenues and cost recovery. To exacerbate this shortfall, operating costs have increased. Consequently, Metrolink has postponed the full service restoration that was previously scheduled for implementation in October 2022 in order to manage costs while also working on campaigns to attract more riders. However, many variables affect ridership recovery, such as prevalence of flexible remote work policies. Without changes in service levels, ridership growth, and operations and rehabilitation costs, or availability of external funds, the current service cannot be sustained beyond FY 2035-36. OCTA will continue to actively engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.
- Another impact to Metrolink in Orange County is the on-going railroad track stabilization effort in the City of San Clemente. In September 2021, a failing slope severely degraded the railroad track structure. Emergency repair efforts were taken between late 2021 and early 2022. However, recent higher tidal events coupled with movement of an ancient slide have continued to impact the stability of the track, leading to a suspension of passenger rail service in this area. On October 3, 2022, the Board adopted a resolution to authorize OCTA to take all necessary actions to address the emergency need for railroad track stabilization. These repairs are funded with six million dollars of commuter rail fund and six million dollars in state emergency funds for this phase of the work. Long-term solutions need to be developed to ensure the ability to provide service in this portion of the County, the cost for which is undetermined at present. Future updates to the Next 10 Plan will need to consider the financial implications of the long-term track improvement needs.
- 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 is conducting a new project risk assessment consistent with achieving 70 percent construction completion and will return to the Board to present the results of the risk analysis, including any adjustments to the project cost and schedule, in early 2023.

- COVID-19 has affected many elements of M2, such as traffic patterns, transit ridership, and administrative processes. To provide flexibility and help local jurisdictions manage the impacts of the pandemic, the Board has approved multiple adjustments including M2 Ordinance amendments and guideline exceptions. Most recently, on August 8, 2022, the Board approved temporary policy changes to address extraordinary inflation for prior RCP and RTSSP allocations. Local jurisdictions requested that OCTA consider ways to help advance recently allocated projects that have not started due to COVID-19 or other factors. The increases in cost of materials and labor as well as supply chain issues continue to create a high inflationary cost environment. Along with local jurisdiction support via feedback through the Technical Steering Committee and TAC, the Board approved the recommendations to allow for a flexible reapplication process and escalation rate adjustments that are more consistent with the current market for 2018, 2019, 2020, and 2021 RCP and RTSSP call allocations.

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

### ***Summary***

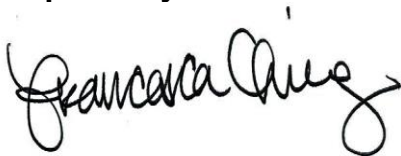
A quarterly report covering activities from July 2022 through September 2022, is provided to update progress in implementing the Plan. The above information and the attached details indicate significant progress on the overall M2 program despite facing challenges. To be cost-effective and to facilitate 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, First Quarter of  
Fiscal Year 2022 - 23, July 1, 2022 through September 30, 2022

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