



June 1, 2020

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Quarterly Progress Report for the Period of January 2020 Through March 2020

Overview

Staff has prepared the Measure M2 quarterly progress report for the period of January 2020 through March 2020, for consideration by the Orange County Transportation Authority Board of Directors. This report highlights progress on Measure M2 projects and programs and 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 a margin of 69.7 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 improvements, as well as a governing ordinance, which defines the requirements for implementing the Plan. Ordinance No. 3 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 adhering to numerous specific requirements and high standards of quality called for in the measure, as identified in the ordinance. Ordinance No. 3 requires that quarterly status reports regarding the major projects detailed in the Plan be brought to the OCTA Board of Directors (Board). On September 25, 2017, the Board approved externally rebranding M2 to OC Go to promote OCTA's Measure M awareness and public perception, as well as to avoid confusion with the similarly named

Los Angeles County Metropolitan Transportation Authority's "Measure M." M2 progress is summarized in these quarterly progress reports, which are posted online for public review.

Discussion

This quarterly report reflects current activities and progress across all M2 programs for the period of January 1, 2020 through March 31, 2020 (Attachment A). The quarterly report is designed to be easy to navigate and public friendly. The report includes budget and schedule information provided from the Capital Action Plan, Local Fair Share and Senior Mobility Program payments made to cities during the quarter, as well as total distributions from M2 inception through March 2020.

Additionally, Attachment A includes a summary of the Program Management Office (PMO) activities that have taken place during the quarter. Three areas in particular are highlighted below.

Future Outlook

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 results of the analysis were presented to the Board on October 28, 2019, and identified that OCTA will potentially experience a moderate cost environment of two to six percent inflation during 2020 through 2022. To reduce the potential risk of cost pressures, information from this analysis was incorporated into the M2 cashflow for the 2019 updated Next 10 Delivery Plan.

During the quarter, the consultant team completed an update of the cost pressure index model. The report was finalized prior to the novel coronavirus (COVID-19) being declared a pandemic by the World Health Organization on March 11, 2020. The update indicates reduced cost pressures from a range of two to six percent inflation to one to two percent inflation in 2021 and 2022.

There is a great deal of uncertainty regarding the extent of COVID-19 impacts on the construction market. Staff will continue to monitor impacts closely and update the Board as appropriate. A discussion of COVID-19 impacts to M2 can be found on page 7.

Ordinance Safeguards

The PMO annually reviews and updates an M2 ordinance Compliance Matrix, which is created to ensure that OCTA tracks compliance with all requirements in Ordinance No. 3. During the quarter, the annual review for January 1, 2019 to December 31, 2019, was completed by the PMO in coordination with the responsible OCTA points of contact. The matrix was shared with the Taxpayers Oversight Committee (TOC) Audit Subcommittee and with the full TOC on May 12, 2020 as an information item.

Ordinance No. 3 includes a requirement for a performance assessment to be conducted at least once every three years to evaluate OCTA's efficiency and effectiveness in delivery of M2 as promised to the voters. The fourth of these performance assessments, covering the period of July 1, 2015 through June 30, 2019, was completed and presented to the Board on March 11, 2019. The final report on the status of action items from the eight recommendations for enhancements identified in the performance assessment was provided to the Regional Planning and Highways (RPH) Committee on January 6, 2020, and to the Board on January 13, 2020. There are no outstanding action items.

Progress Update

The following provides an overview of M2 accomplishments to date by mode, as well as highlights of activities that occurred during the third quarter of fiscal year (FY) 2019-2020.

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. Currently, while in year nine of the 30-year program, 12 project segments are complete, three are in construction, and another three are readying for construction. The remaining 12 project segments are in various stages of project development, with eight (included in the 2019 updated Next 10 Delivery Plan) of those slated to go into construction and be complete or near complete by 2026.

Key freeway project activities taking place this quarter, along with updates are highlighted below.

- Interstate 5 (I-5), between Interstate 405 (I-405) and State Route 55 (SR-55) - The final environmental document was approved on January 7, 2020, and the final project report was approved on February 28, 2020.

This project has been split into two segments for delivery purposes and is being advanced through construction as approved in the updated 2019 Next 10 Delivery Plan. The request for proposals (RFP) for design of Segment 1 (I-405 to Yale Avenue) is anticipated to be released in late 2020 and the RFP for Segment 2 (Yale Avenue to SR-55) is anticipated to be released in mid-2020. (Project B)

- I-5/EI Toro Road Interchange Project update was provided to the RPH Committee on March 2, 2020, and to the Board on March 9, 2020. OCTA is working with the cities of Laguna Hills, Laguna Woods, and Lake Forest, as well as the California Department of Transportation (Caltrans) to procure a consultant to facilitate a review of scoping of the project alternatives. (Project D)
- SR-55 between I-5 and State Route 91 (SR-91) - The environmental phase was completed on March 30, 2020. Based on funding availability, the design of this project is anticipated to begin in early 2022. (Project F)
- SR-91 project segment between Acacia Street and La Palma Avenue - RFP for design was approved for release by the Board on March 9, 2020. This is the westernmost of three segments of the SR-91 between State Route 57 and SR-55. It is anticipated that all three segments will be in the design phase by the end of 2020. (Project I)
- I-405 between State Route 73 (SR-73) and Interstate 605 (I-605) - Construction on the project is proceeding and a full project update was provided to the RPH Committee on January 6, 2020, and to the Board on January 13, 2020. (Project K)

Streets and Roads

Since 2011, approximately \$814 million¹ has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. Additionally, M2 provided \$144 million, a portion of the \$664 million total project cost, to grade separate seven street and rail crossings, leveraging the majority of the funds (\$520 million) from local, state, and federal sources.

¹ Excludes suspended funds. On May 13, 2019, the Board determined the City of Santa Ana and City of Stanton ineligible to receive all net M2 revenues. An item was brought to the Board on April 13, 2020, sharing audit results finding the cities in compliance, and the Board determined the cities eligible to receive net M2 revenues again.

- Regional Capacity Program (RCP) and Regional Traffic Signal Synchronization Program (RTSSP) 2020 call for projects (call) resulted in eight applications received for the 2020 RCP and seven applications for the 2020 RTSSP. During the quarter, staff reviewed the applications for eligibility, consistency, and adherence to guidelines and overall program objectives. Programming recommendations for 14 projects totaling \$35.5 million were presented to the RPH Committee on May 4, 2020, and to the Board on May 11, 2020. (Project O and Project P).

Transit

The M2 transit mode includes a number of programs designed to provide additional transportation options. M2 is the main funding source for Metrolink commuter rail service in Orange County and provides funding for rail station improvements and transit connections to extend the reach of the services.

Since 2011, M2 has provided competitive multi-year funding commitments for bus and station van extension services connecting to Metrolink (\$483,133 to date), local community-based transit circulators and planning studies (\$32.6 million to date), bus stop improvements (\$1.9 million to date), and funding to support specific programs to meet the needs of seniors and persons with disabilities (\$77.6 million² to date). Key transit project activities taking place this quarter are highlighted below.

- OC Streetcar quarterly update was provided to the Transit Committee on March 12, 2020, and to the Board on March 23, 2020. The update included information on status of construction activities and vehicle delivery. (Project S)
- Community-Based Transit Circulator Program fourth call and updated program guidelines were approved by the Board on October 14, 2019, providing \$9 million in competitive funding. A total of 18 applications were received by the December 12, 2019 deadline. During the quarter, OCTA staff scored the applications consistent with revised program guidelines. Programming recommendations for six capital and operating reserves and three planning studies, totaling \$9.2 million, were presented to the Transit Committee on April 9, 2020, and to the Board on April 13, 2020. (Project V)

²Excludes suspended funds. On May 13, 2019, the Board determined the cities of Santa Ana and Stanton ineligible to receive all net M2 revenues. An item was brought to the Board on April 13, 2020, sharing audit results finding the cities in compliance, and the Board determined the cities eligible to receive net M2 revenues again.

Environmental Programs

The M2 Program includes two innovative programs, the Environmental Cleanup Program (ECP) with specific activity, and the Environmental Mitigation Program (EMP) with funding from the M2 Freeway Program. The ECP improves water quality by addressing transportation related pollutants, while the EMP offsets biological impacts of freeway projects.

Since 2011, the ECP has allocated approximately \$49.9 million to local jurisdictions through a competitive process, which funded 170 projects for trash removal devices (Tier 1), and 19 projects for large scale water quality best management practices projects (Tier 2). It is estimated that nearly eight million gallons of trash are captured annually, which is the equivalent of filling 50 Olympic-size swimming pools since inception of the program.

Additionally, the Board previously authorized \$55 million for the EMP to acquire conservation lands, fund habitat restoration projects, and to develop the Conservation Plan. OCTA has acquired more than 1,300 acres and funded 12 restoration projects across Orange County to fulfill the necessary 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. It is estimated that it will take approximately 12 years to fully fund the endowment with annual deposits, or until the fund totals \$46.2 million. As of March 31, 2020, the balance of the endowment was \$11,137,651.

- ECP's tenth Tier 1 call was authorized by the Board on March 9, 2020, for approximately \$2.8 million. Applications were originally due on May 7, 2020; however, due to COVID-19 impacts and requests from local jurisdictions for additional time, the deadline was pushed to June 25, 2020.

M2 Eligibility - City of Santa Ana and City of Stanton

On April 13, 2020, the cities of Santa Ana and Stanton were found by the Board to be eligible again to receive M2 net revenues. All suspended payments have been disbursed. This concluded the action taken on May 13, 2019, when the Board found the cities ineligible (first time in the history of Measure M1 and M2) and suspended M2 funding allocations and disbursements until confirmation by audit of compliance and subsequent Board action. OCTA expedited the review efforts and on March 23, 2020, OCTA staff presented FY 2018-19 audit results for the cities of Santa Ana and Stanton, which verified that both cities met their

FY 2018-19 maintenance of effort (MOE) requirement including the additional MOE expenditures to make up for the shortfall identified in the FY 2017-18 audit.

Challenges

COVID-19 Pandemic

On February 27, 2020, OCTA activated its Emergency Operations Center and implemented its Emergency Operations Plan in response to potential impacts from COVID-19. On March 19, 2020, the Governor issued a stay-at-home order to protect the health and well-being of all Californians and slow the spread of COVID-19. Public transportation and infrastructure projects were designated by the state and federal governments as essential. OCTA has continued operations while following best practices and health guidance from local, state, and federal officials to help ensure the health of the public and OCTA employees. The PMO is proactively monitoring COVID-19 impacts to M2 to ensure projects and programs continue to be delivered as promised to voters. Pandemic implications on the individual M2 program areas and revenues are discussed further below.

Freeways

Traffic volume reduction on freeways due to the stay-at-home order have allowed for increased productivity of construction work on essential projects. Construction crews are working under direction from OCTA and Caltrans to take advantage of more daytime lane closures and extended nighttime work windows. On the I-405 project between SR-73 and I-605, it is estimated that these extended closures have provided more than 5,000 additional work hours for contractor productivity. Staff is collecting information from other construction projects as available.

To date, no substantial COVID-19 risks in construction material supply chain and subcontractor labor availability have surfaced. However, some material and product suppliers and subcontractors have submitted advance notice of potential material and supply delays.

Risks are beginning to surface as schedule-critical right-of-way (ROW) acquisition processes and utility relocation are impacted by COVID-19. ROW acquisition offers to owners, associated discussions, negotiations, and meetings are being impacted by business closures and availability of owners and attorneys. There are also additional COVID-19-related ROW impacts due to court closures, filing and service delays, potential temporary easement timeline expirations, land and business valuation challenges, and appraisal and site

inspection issues. Utility relocations have also been affected as utility companies are unable to schedule energy shut off during this pandemic.

Streets and Roads

Due to COVID-19, OCTA staff reopened and extended the timeline for the routine semi-annual review period in late March. This allowed local jurisdictions an additional opportunity to review and assess their local projects and funds to submit requests for project adjustments and timely use of funds extensions due to COVID-19. Eligible timely use of funds requests, including other eligible requests related to COVID-19 will be presented at the August Board meeting.

Transit

Travel patterns have also affected Metrolink operations with ridership down by 90 percent as of April 2020, when compared to April 2019. Metrolink implemented a 30 percent service reduction on March 26, 2020, and continues to provide vital transportation services for essential trips. Metrolink is working with partner agencies to develop a recovery plan framework and ridership recovery scenarios.

The stay-at-home order has allowed for increased productivity for the Laguna Niguel to San Juan Capistrano Passing Siding Project and OC Streetcar Project. The reduced rail service and cancelled weekend services has allowed the contractor to work on reconstruction of the private railroad crossing site near Saddleback Church. The OC Streetcar Project has also taken advantage of lower traffic volumes to use daytime street closures for storm drain and water line installation while many downtown businesses are closed.

M2 also provides funding to local jurisdictions to identify and develop transportation programs to best meet the needs of seniors in their communities through the Senior Mobility Program. Due to COVID-19, services provided have been altered or suspended. In addition, OCTA staff was notified that one transit service provider serving multiple cities will cease operations in Orange County effective May 31, 2020. An item was presented to the Board on May 22, 2020, to allow for service continuity in the short-term.

The Community-Based Transit Circulator Program has also been affected by COVID-19. Services provided have been suspended as stay-at-home orders are in place.

As mentioned in the streets and roads section, the timely use of funds requirement to expend M2 funds may also affect M2 transit programs that are delayed or temporarily suspended. Staff will monitor the situation and report to the Board as appropriate.

M2 Eligibility - MOE

To proactively address impacts that COVID-19 will have on local jurisdiction general fund revenue sources, an amendment to Ordinance No. 3 was initiated on May 11, 2020. To receive M2 net revenues, local jurisdictions need to maintain eligibility. A component of eligibility is an MOE requirement, which is the amount the local jurisdictions spend in general fund revenues for streets and roads purposes. The intent is to ensure that M2 revenues do not supplant funding for streets and roads that a local jurisdiction was previously spending. The amendment will temporarily adjust the MOE requirement for local jurisdictions for FY 2019-20 and FY 2020-21. A public hearing at which the Board will consider adopting the amendment to Ordinance No. 3 has been set for June 22, 2020.

Sales Tax Revenue Forecast

Through the first eight months of FY 2019-20, revenues were growing by approximately two percent. Due to the impact of COVID-19, it is estimated that sales tax collections will decrease by 33 percent from mid-March through the end of the fourth quarter of FY 2019-20. Total FY 2019-20 M2 sales tax collection is estimated at \$303 million or a decrease of 8.8 percent from FY 2018-19. Prior to COVID-19, M2 sales tax revenue for FY 2020-21 was projected at \$354 million based on MuniServices' forecasts. MuniServices recently updated their FY 2020-21 forecast to \$283 million based on lower than projected FY 2019-20 revenue coupled with a projected 6.6 percent decline in the upcoming year. OCTA's FY 2020-21 budget assumption matches MuniServices estimate of \$283 million.

The full magnitude of COVID-19 impacts to the economy is unknown at this time. The California Department of Tax and Fee Administration normally disburses sales tax two months in arrears, with trueed up numbers in the following quarter. A factor that adds more uncertainty is that the State of California has provided relief to businesses to allow a 90-day delay of sales tax remittance to some and a one-year delay to small business. Due to this, OCTA will not have a complete understanding of the true impacts of COVID-19 on sales tax revenues for several months.

OCTA is closely monitoring trends and forecasts to ensure M2 remains deliverable as promised to voters. The M2 cashflow included an allowance for economic uncertainties based on OCTA's conservative approach to financial planning. As a result, all M2 projects that are currently underway are anticipated to continue as planned in the FY 2020-21 budget. OCTA staff has initiated a strategic review and assessment of timing of projects and programs for future years. Staff will continue to monitor COVID-19 impacts to M2 and provide updates to the Board as appropriate.

M2 program delivery is monitored closely, and progress, as well as challenges, are presented to the Board through these quarterly staff reports. The Board also is provided with individual project staff reports and overall reports on the status of the capital programs by the Capital Programs Division.


Summary

As required by Ordinance No. 3, a quarterly report covering activities from January 2020 through March 2020, 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 Progress Report, Third Quarter Fiscal Year 2019-20, January 1, 2020 through March 31, 2020

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