



December 6, 2021

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Quarterly Progress Report for the Period of July 2021 Through September 2021

Overview

Staff has prepared the Measure M2 quarterly progress report for the first 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 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 improvements, 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 called for in the measure, as 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 overall reports 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 July 1, 2021, through September 30, 2021 (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 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 key early warning indicators affecting the construction market. The information is incorporated in a cost pressure index model and is updated biannually to identify potential cost risk factors for M2 project delivery. On October 11, 2021, the results of the fall analysis were presented to the Board. The report forecasted that OCTA may experience a high inflation cost environment from 2022 through 2024, due to more volatile market conditions. Major drivers of increased cost pressures include a spike in requests for building permits and, by correlation, the cost of materials. Additionally, previous patterns of material prices were mixed; however, recent data reflects a more uniform increase on all major construction materials due to market disruptions and overall demand. 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)

Annually, staff reviews the Board-adopted commitments in the Next 10 Plan to ensure it remains deliverable with updated revenues and project costs. The draft updated 2021 Next 10 Plan is anticipated to be presented to the Board on December 13, 2021. The update will incorporate the M2 sales tax revenue forecast of \$13.2 billion that was presented to the Board on September 27, 2021, as part of the fall update of the market conditions forecast and risk analysis, along with updated project schedules and estimates.

Progress Update

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

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. Currently, while in year 11 of the 30-year program, 13 project segments are complete, four are in construction, and another six are readying for construction. The remaining seven project segments are in various stages of project development.

- State Route 55 between Interstate 5 (I-5) and State Route 91 – On September 13, 2021, the Board approved the release of a request for proposals for the preparation of plans, specifications, and estimates. Proposals were due on October 11, 2021. Design efforts are anticipated to begin in mid-2022. (Project F)
- State Route 57 Northbound from Orangewood Avenue to Katella Avenue – On July 12, 2021, the Board approved the consultant selection to prepare plans, specifications, and estimates. Design efforts are anticipated to begin in early 2022. (Project G)
- Interstate 405 between State Route 73 and Interstate 605 – A project update was presented to the Regional Planning and Highways Committee on August 2, 2021, and to the Board on August 23, 2021, providing progress on construction, risk monitoring, and outreach efforts. During the quarter, the Edwards Street overcrossing bridge was opened to traffic, thereby representing six of 18 bridge replacements completed. The project is 70 percent complete. (Project K)

Streets and Roads

Since 2011, more than \$979 million has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. To date, 431 project phases have been allocated through the streets and roads competitive funding programs. Of the 431 project phases, 288 phases, equating to approximately 67 percent, have been completed. Additionally, M2 provided \$149.4 million, a portion of the \$668 million total program cost, to grade separate seven streets and rail crossings, leveraging the majority of the funds (\$518.6 million) from local, state, and federal sources.

Highlights this quarter include Board approval on August 9, 2021 of revisions to the Comprehensive Transportation Funding Program Guidelines, and the release of the 2022 annual call for projects (call) for the Regional Capacity Program and Regional Traffic Signal Synchronization Program for up to \$40 million.

Applications for the call were due on October 21, 2021, with programming recommendations anticipated in spring 2022. (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 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. The three lines serving Orange County now operate 41 weekday trains, a 24 percent reduction from 54 weekday trains. During the quarter, ridership recovery continued to trend positively, as total boardings on the Orange County Line increased on average by approximately 127 percent compared to the same quarter last year. As such, 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 (\$40.0 million to date), and bus stop improvements (\$2.9 million to date). In parallel, M2 provides a set amount of annual funding to support three programs intended to expand mobility choices for seniors and persons with disabilities (\$94.0 million¹ to date).

- High Frequency Metrolink Service - A Metrolink FY 2020-21 performance report was presented to the Transit Committee on September 9, 2021, and to the Board on September 13, 2021. Total ridership for FY 2020-21 was nearly 800,000 boardings for OC Metrolink, which represents a 79.4 percent decrease compared to FY 2019-20 due to COVID-19. Ridership in the fourth quarter of FY 2020-21 recorded over 275,000 boardings, a 142 percent increase compared to FY 2019-20, which is indicative of some ridership recovery. (Project R)
- OC Streetcar – A quarterly update was presented to the Transit Committee on July 8, 2021, and to the Board on July 12, 2021, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, construction of the eastbound track on Santa Ana Boulevard between Bristol Street and Raitt Street was completed, including construction of the median island construction and installation of the asphalt pavement. (Project S)

¹ 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.

- Community-Based Transit Circulators Program – A ridership report was provided to the Transit Committee on July 8, 2021, and to the Board on July 12, 2021. As restrictions imposed by the pandemic have begun to subside, services are slowly being reinstated. Of the 35 projects awarded, 15 are currently active, nine have been cancelled (primarily due to low ridership), eight are currently suspended (or not initiated) due to COVID-19, and three have been completed. (Project V)

Environmental Programs

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

On August 9, 2021, the Board approved programming recommendations for ten ECP Tier 1 projects totaling approximately \$2.7 million. Since 2011, the ECP has allocated approximately \$58 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 previously authorized \$55 million for the EMP to acquire conservation lands, fund habitat restoration projects, and develop the Natural Community Conservation Plan/Habitat Conservation Plan. OCTA has acquired more than 1,300 acres (Preserves) and funded 12 restoration projects to restore habitat on 350 acres of open space 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. The performance of the fund may affect the timeframe for full funding of the endowment. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28. In July 2021, OCTA made the sixth annual deposit of approximately \$2.9 million into the EMP endowment. As of September 30, 2021, the balance of the endowment was \$22,075,031.

Challenges

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

- The environmental phase of the I-5/EI Toro Road Interchange Project was originally anticipated to be complete 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 with the cities of Laguna Hills, Laguna Woods, Lake Forest, the California Department of Transportation, and OCTA. In September 2020, an assessment was initiated to analyze all alternatives. This quarter, the assessment was completed, which resulted in the development of an additional seven alternatives. A project update including the assessment results was presented to the Regional Planning and Highways Committee on November 1, 2021, and to the Board on November 8, 2021.
- 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. The project supplemental contingency has been drawn down more quickly than anticipated due to these challenges. To utilize additional federal funds, OCTA worked with the Federal Transit Administration project management oversight consultant on a comprehensive project risk, cost, and schedule assessment. The results of this effort are anticipated to be presented to the Transit Committee on December 9, 2021, and to the Board on December 13, 2021.
- COVID-19 has affected many elements of M2, such as sales tax revenue forecast, 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. While recent updates indicate some recovery of ridership and revenues, continued tracking of COVID-19 impacts to M2 is prudent.

Staff will continue to monitor all program challenges closely to ensure M2 remains deliverable as promised to voters.

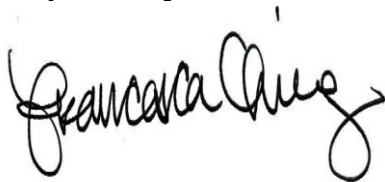
Summary

As required by the M2 Ordinance, a quarterly report covering activities from July 2021 through September 2021, 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 2021-22, July 1, 2021 through September 30, 2021

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