




**June 6, 2022**

**To:** Executive Committee

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

**Subject:** Measure M2 Quarterly Progress Report for the Period of January 2022 Through March 2022

**Overview**

Staff has prepared the Measure M2 Quarterly Progress Report for the third 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 January 1, 2022, through March 31, 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 activities, of which two areas are highlighted below.

**Ordinance Safeguards**

To evaluate OCTA's efficiency and effectiveness in the delivery of M2, the M2 Ordinance requires a performance assessment to be conducted at least once every three years. Four prior performance assessments have been completed to date. Efforts for the fifth performance assessment covering the period between fiscal year (FY) 2018-19 through FY 2020-21 were initiated in July 2021. During the quarter, the consultant incorporated additional clarifying information based on staff input and finalized the report. The final report was presented to the Executive Committee on April 4, 2022, and the Board on April 25, 2022. The consultant's report reflects a positive assessment of OCTA's efficiency and effectiveness in the delivery of M2 projects and programs. While there were no significant findings, recommendations for enhancements were made. These recommendations will be addressed as appropriate and progress updates will be provided in future M2 quarterly reports.

In addition, the Program Management Office annually updates a compliance matrix to ensure the numerous requirements in the M2 Ordinance are met. The matrix details the status of each requirement and includes links to supporting documentation. This quarter, the annual update was completed and was presented to the Taxpayer Oversight Committee on April 12, 2022, as a resource for committee members.

**Market Conditions Key Indicators Analysis and Forecast**

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 into 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 11, 2021, which forecasted that OCTA may experience a high inflation cost environment from 2022 through 2024, due to more volatile market conditions.

During the quarter, the consultant team completed the spring update of the construction cost pressure index model. The report forecasts the highest inflationary cost environment (ranging 11 percent to 40 percent) for the remainder of 2022, and maintains a high inflation cost environment in 2023 and 2024 (ranging from six percent to 11 percent). Major drivers of the cost pressures include an increase in requests for building materials, and by correlation, the cost of materials as well as lower unemployment rates and higher construction salaries. While the economy has shown signs of improving, strong inflationary pressures and supply chain disruptions continue to offset benefits. Staff will continue to monitor market conditions and provide updates to the Board as appropriate.

#### 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 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, four are in construction, and another nine are in or nearing final design. The remaining four project segments are in various stages of project development as described below.

- Interstate 5 (I-5) between State Route 73 (SR-73) and El Toro Road – A project update on construction activities was provided to the Regional Planning and Highways (RPH) Committee on March 7, 2022, and to the Board on March 28, 2022. This project is comprised of three segments and includes two interchange improvements at Avery Parkway and La Paz Road. The project is anticipated to be completed by late 2024. (Project C and Project D)
- State Route 55 (SR-55) between Interstate 405 (I-405) and I-5 – The project was advertised for construction on December 6, 2021, and the bid opening was held on March 10, 2022. The California Department of Transportation is reviewing the apparent low bid (approximately 0.8 percent below the engineer's estimate) for conformance with all bidding, subcontracting, and security bonding requirements. Construction is anticipated to begin in summer of 2022. (Project F)
- SR-55 between I-5 and State Route 91– On February 14, 2022, the Board approved the consultant selection to prepare plans, specifications, and estimate. Design efforts are anticipated to begin in summer of 2022. (Project F)

- I-405 between SR-73 and Interstate 605 – Construction on the project is proceeding and a quarterly project update was provided to the RPH Committee on February 7, 2022, and to the Board on February 14, 2022. During the quarter, the first half of the Brookhurst Street bridge was completed and opened to traffic; the full bridge is anticipated to be completed in summer of 2023. The project is approximately 78 percent complete. (Project K)

### Streets and Roads

Since 2011, more than \$1 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, 437 project phases have been allocated through M2 competitive streets and roads funding programs, of which 313 phases, equating to approximately 72 percent, have been completed. Additionally, M2 provided \$152.6 million, a portion of the \$666.5 million total program cost, to grade separate seven streets and rail crossings, leveraging the majority of the funds (\$513.9 million) from local, state, and federal sources.

An update to the countywide signal synchronization plan was presented to the RPH Committee on March 7, 2022, and to the Board on March 14, 2022. Staff evaluated the 2009 Traffic Signal Synchronization Master Plan and the M2 Regional Traffic Signal Synchronization Program (RTSSP) and identified opportunities for enhancements, such as transitioning from a corridor-based synchronization to a zone-based synchronization approach that is retimed on a regular basis and continuing to offer annual calls for projects (call) that balance funds between synchronization and capital improvements. OCTA will initiate a baseline countywide signal synchronization effort using external funding. Staff also plans to return to the Board in summer 2022 with recommended guideline updates for the 2023 RTSSP call. (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. On April 4, 2022, Metrolink partially restored some services in response to customer feedback and demand for more train trips to accommodate ridership recovery efforts. The three lines serving Orange County now operate 45 weekday trains, a 17 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 102 percent

compared to the same quarter last year; however, 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 (\$40.0 million to date), and bus stop improvements (\$2.9 million to date). In parallel, M2 provides a set amount of funding to support three programs intended to expand mobility choices for seniors and persons with disabilities (\$100.9 million<sup>1</sup> to date). A few transit highlights during the quarter are noted below.

- OC Streetcar – A quarterly update was presented to the Transit Committee on January 13, 2022, and to the Board on January 24, 2022, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, construction activities continued with placement of the first embedded track-slab concrete on Fourth Street, installation of ballasted track between the Westminster and Santa Ana River bridges, and installation of the first steel structures for the Maintenance and Storage Facility. (Project S)
- A ridership report was provided to the Transit Committee on January 13, 2022, and to the Board on January 24, 2022. Impacts from the pandemic have eased as additional grant-funded services were reinitiated by local agencies. Of the 35 projects awarded, 17 are currently active, nine have been cancelled (primarily due to low ridership), six 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) 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

---

<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.

inception of the program, which is the equivalent of filling nearly 105 football fields with one foot deep of trash.

- The 12th Tier 1 call was released on March 14, 2022, for approximately \$3 million. Applications are due on June 16, 2022, and programming recommendations are anticipated to be presented to the Board in the fall of 2022. (Project X)

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 March 31, 2022, the balance of the endowment was \$21,042,295, which is above 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.

### Challenges

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

- The spring update of the market conditions key indicators analysis and forecast report anticipates a high inflationary cost environment through 2024 due to volatile market conditions. Additionally, contractors have reported continued escalation of material and equipment pricing due to supply shortages, which could affect the ability to order, as well as affect delivery schedules from suppliers. Staff will continue to monitor market pricing trends and material availability, along with the impacts on construction in the region.
- Recently introduced state bills (AB 2237 [Friedman, D-Burbank] and AB 2438 [Friedman, D-Burbank]), could impact the delivery of M2 projects. These would significantly change the administration and use of external funding for M2 projects (in the future as well as funds that have already been programmed) and would also undermine OCTA's ability to deliver a project regardless of funding source if a project is found inconsistent with state goals. On April 25, 2022, the Board adopted oppose positions on both AB 2237 and AB 2438. Staff will continue to

remain engaged on these issues and provide updates to the Board as appropriate.

- 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. Recent community concerns regarding construction along Fourth Street in the City of Santa Ana have been shared with the Board.
- 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 recovery of ridership and revenues, continued tracking of COVID-19 impacts to M2 are prudent.

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 January 2022 through March 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**

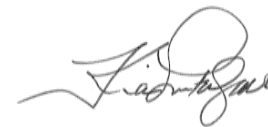
- A. Measure M2 Quarterly Progress Report, Third Quarter of Fiscal Year 2021-22, January 1, 2022 through March 31, 2022

**Prepared by:**



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

**Approved by:**



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