OCTA

August 28, 2025

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Quarterly Progress Report for the Period of April 2025 through June 2025

Overview

Staff has prepared the Measure M2 Quarterly Progress Report for the fourth quarter of fiscal year 2024-25 as information for the Orange County Transportation Authority Board of Directors. This progress report highlights the delivery of Measure M2 projects and programs as promised to voters and the monitoring of external challenges. The full report 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 nearly 70 percent, approved the Renewed Measure M (M2) Transportation Investment Plan (Plan), a one half-cent sales tax for transportation improvements. Effective in 2011, the Plan provides a 30-year program of investments across a broad range of transportation and environmental initiatives and a governing ordinance, Ordinance No. 3 (M2 Ordinance), that defines the requirements for implementing the Plan. The 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. The M2 Ordinance also charges OCTA to provide for a number of transparency measures and safeguards to uphold and reciprocate the public's trust in OCTA.

OCTA is committed to fulfilling the promises made to secure voter approval of the M2 initiative. This means completing the projects described in the Plan and adhering to numerous specific requirements, safeguards, and transparency provisions identified in the M2 Ordinance. One such requirement is the publication of quarterly status reports on the projects detailed in the Plan and its presentation to the Board of Directors (Board).

This report is built on individual project and program-level staff reports that are regularly presented to the Board, covering the status of various activities in the Plan.

Discussion

This quarterly report (Attachment A) reflects activities and progress across all M2 programs for the period of April 1, 2025, through June 30, 2025. The quarterly report also includes project budget and schedule information as provided in the Capital Action Plan reports to the Board. Additionally, information on the Local Fair Share and Senior Mobility Program payments made to cities during the quarter is also included.

OCTA has established the Program Management Office (PMO), charged with providing unified oversight to ensure compliance, fiscal responsibility, transparency, and accountability as laid out in the M2 Ordinance and Plan. Attachment A also includes a summary of PMO activities.

The following provides highlights of M2 accomplishments during the quarter by mode, notable items under the PMO activities, and key challenges that OCTA is monitoring and working to address.

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. To date, 15 project segments are complete, and another 12 are underway and expected to be completed by 2030. The 12 project segments that are underway include five projects that are in construction, six that are in final design, and a joint project with the Riverside County Transportation Commission that is in environmental revalidation. The joint project will improve State Route 91 between State Route 241 and State Route 71. Completing these 12 projects would bring the total number of completed projects to 27 by 2030, equating to approximately 90 percent of the M2 Freeway Program. The remaining three project segments are in various stages of project development. Notable freeway program highlights that occurred during the quarter are below.

- Interstate 5 between Interstate 405 (I-405) and State Route 55 (SR-55) – This project is comprised of two segments. On April 14, 2025, the Board approved the release of a request for proposals for construction management support services for the southerly segment between I-405 and Yale Avenue. In addition, the Board approved a consultant for construction management support services for the northerly segment between Yale Avenue and SR-55 on May 12, 2025. Both segments are anticipated to be advertised for construction in fall 2025. (Project B)

- Interstate 605/Katella Avenue Interchange – The California Department of Transportation advertised the project for construction on November 18, 2024, opened bids on January 23, 2025, and awarded the contract on April 3, 2025, followed by contract approval on April 25, 2025. Construction activities began in June 2025. (Project M)

Streets and Roads

Since 2011, more than $1.3 billion[1,2,3] has been allocated to local jurisdictions for transportation improvements through M2 streets and roads programs, which include two competitive and one formula-based funding program. In addition, OCTA was able to leverage nearly $53.9 million in external funding to support these programs. To date, 509 project phases have been allocated through M2 competitive streets and roads funding programs, of which 353 phases, or approximately 69 percent, have been completed. Notable streets and roads highlights that occurred during the quarter are listed below.

- On April 14, 2025, the Board approved programming recommendations for the 2025 Regional Capacity Program and Regional Traffic Signal Synchronization Program call for projects (call) for 15 projects totaling approximately $37.7 million. (Projects O and P)

- Through the Local Fair Share Program, 18 percent of M2 net revenues are allocated by formula to eligible local jurisdictions. During the quarter, approximately $22.5 million was disbursed, bringing the total provided through June 2025 to more than $810.3 million[1,2,3] (Project Q)

Transit

The M2 transit mode includes several programs designed to provide expanded transportation options. M2 is the primary funding source for the Southern California Regional Rail Authority (Metrolink) commuter rail service in Orange County and includes funding for rail projects to improve operations and transit connections to extend the reach of the service. On October 21, 2024, Metrolink implemented a pilot optimized service schedule that aims to adjust the focus from commuter rail to regional rail by addressing service gaps and making the most efficient use of equipment and crews. As such, the three lines serving

[1] Only includes disbursed funds. On May 28, 2024, the Board determined the City of Buena Park ineligible to receive net M2 revenues for five years pursuant to Section 10.4 of the M2 Ordinance. Disbursements of net M2 revenues have been suspended until the City of Buena Park reestablishes eligibility.
[2] On May 12, 2025, the Board determined the City of Huntington Beach ineligible to receive net M2 revenues for five years pursuant to Section 10.4 of the M2 Ordinance. Disbursements of net M2 revenues have been suspended until the City of Huntington Beach reestablishes eligibility.
[3] On May 12, 2025, the Board determined the City of Orange eligible again to receive net M2 revenues. Withheld funds were released in June 2025.

Orange County (Orange County, Inland Empire-Orange County, and the 91/Perris Valley lines) now operate 58 weekday trains, a 29 percent increase from the 45 trains previously serving Orange County. Compared to the same quarter last year, ridership levels on all three lines have increased by 20 percent. 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 services connecting to Metrolink ($483,133 to date), community-based transit circulators ($80.5 million to date), and bus stop improvements ($2.9 million to date). In addition, M2 provides a set amount of funding to support three programs (Senior Mobility Program, Senior Non-Emergency Medical Transportation Program, and Fare Stabilization Program), intended to expand mobility options for seniors and persons with disabilities ($149 million[4,5,6] to date). Other notable transit program activities from the quarter are highlighted below.

- OC Streetcar – A quarterly update was presented to the Board on May 12, 2025, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, four of the eight vehicles were delivered to the Maintenance and Storage Facility (MSF) with the remaining four to be delivered this summer. Work continued on wire installation, street repairs, electrical systems, street improvements, and interior and exterior work at the MSF. System testing, operations planning, and staff training preparation are underway. (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 habitat impacts of M2 freeway projects.

Since 2011, the ECP has allocated approximately $69.2 million to local jurisdictions for 216 projects for trash removal devices (Tier 1) and 22 projects for large-scale water quality best management practices projects (Tier 2). It is estimated that 81.5 million gallons of trash have been captured since the

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inception of the program, which equates to over 14,400 trash truck loads of garbage that could have been deposited in Orange County streams and waters. Applications for the 15th Tier 1 call are under review with programming recommendations anticipated to be presented to the Board in fall 2025.

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 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 endowment that is being established. OCTA has made nine deposits of approximately $2.9 million into the endowment. Current projections indicate that OCTA remains on track to meet the endowment target of $46.2 million in fiscal year (FY) 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

PMO

FY 2024-25 M2 Compliance Audit

On October 9, 2023, the Board approved a request from the Taxpayer Oversight Committee (TOC) to contract with an independent accounting firm to perform an M2 Ordinance compliance audit with ability to test at the local jurisdiction level for FY 2023-24. The objectives of the audit are to obtain reasonable assurance about whether material noncompliance with the M2 Ordinance occurred and express an opinion on compliance based on the audit. On April 28, 2025, staff presented the results of the FY 2023-24 compliance audit to the Board, which identified that the Orange County Local Transportation Authority complied, in all material respects, with the requirements of the M2 Ordinance and reported that no deficiencies in internal control were identified. The report was also shared with the TOC on June 10, 2025.

M2 Annual Public Hearing

On June 10, 2025, the TOC conducted the required annual M2 public hearing and determined that M2 is being delivered as promised to Orange County voters for the 34th consecutive year. In support of the above determination, PMO staff completed and presented the annual update of the M2 Ordinance compliance tracking matrix.

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

OCTA contracts with four entities to annually forecast M2 taxable sales: MuniServices, LLC, 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 by MuniServices, LLC on May 14, 2025, Chapman University on June 11, 2025, UCLA on June 25, 2025, and CSUF on July 23, 2025. OCTA's Board-approved sales tax methodology is to utilize the MuniServices, LLC forecast for the first five years and the three-university average for the remaining years. The 2025 M2 sales tax revenue forecast will incorporate these forecasts along with final sales tax receipts for FY 2024-25; it is anticipated to be presented to the Board in fall 2025.

The updated sales tax revenue forecast will be incorporated into the annual review and update of the Next 10 Plan. The 2025 review of the Next 10 Plan is underway and is anticipated to be presented to the Board in late 2025.

M2 Ten-Year Review

The M2 Ordinance includes a provision to conduct a ten-year comprehensive review of all projects and programs under the Plan to evaluate the performance of the overall program. Due to the early initiation of project development activities prior to the start-up of revenue collection in 2011, the first review was completed in 2015. The second effort is underway and is anticipated to be completed in early 2026. During the quarter, a ten-year review update and lookahead was presented to the Board on June 9, 2025. Outreach efforts continued with the launch of the qualitative survey, facilitation of focus groups, participation in various community events, and the hosting of both a public webinar and roundtable discussions with elected officials. Feedback from these activities will help guide the development of key findings and recommendations.

Challenges

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

- Close monitoring of Metrolink operations and capital rehabilitation projects is necessary to ensure sustainability through 2041. Metrolink ridership recovery continues to struggle, which impacts farebox revenues and cost recovery. The program's funding shortfall is further compounded by a rise in operating costs. The 2024 Next 10 Plan cashflow includes the assumption of one-time, state Transit and Intercity Rail Capital Program formula funds to help sustain Metrolink operations. While Metrolink has implemented an optimized service schedule, without changes in ridership

growth, operations and rehabilitation costs, or additional external funds, recent projections indicate that the current service cannot be sustained beyond FY 2035-36. OCTA will continue to engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.

- Over the past several years, coastal storm surges, combined with several other environmental factors, have damaged the Los Angeles – San Diego – San Luis Obispo rail corridor. These events have required increased maintenance and emergency repairs to stabilize the rail infrastructure. The emergency repairs have also led to intermittent service loss and delays. Although the affected portion of the railroad tracks in the City of San Clemente is located within Orange County, this rail corridor is vital for Metrolink and state-supported intercity rail (Pacific Surfliner), freight connection to the Port of San Diego, and plays a strategic role in the operations of Marine Corps Base Camp Pendleton. In partnership with key stakeholders, a comprehensive plan to integrate engineering and sand nourishment solutions was developed to protect the coastal segment of the rail corridor in south Orange County in the immediate timeframe. To address the ongoing threats to a critical link in Southern California's rail network, emergency riprap repair activities in two of the four reinforcement areas were completed on June 7, 2025. Additional work to protect the rail line on the remaining segments continues with sand nourishment to follow. Updates will be provided to the Board as appropriate.

- The Coastal Rail Resiliency Study is underway to identify and evaluate potential near- and mid-term solutions to protect the rail line in place while long-term solutions, which may include relocation, to adapt the rail line to the changing environment are developed. OCTA is leading the effort on the near- and mid-term resiliency measures. The State will lead the long-term study, but the lead state agency has not yet been identified; OCTA will be an active participant in the study. As these studies progress, future updates to the Next 10 Plan will incorporate more current information.

Staff will continue to monitor these challenges to ensure M2 remains deliverable as promised to voters and provide updates to the Board as appropriate.

Summary

A quarterly report covering activities from April 2025 through June 2025, 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.

Attachment

A. Measure M2 Quarterly Progress Report, Fourth Quarter of Fiscal Year 2024 - 25, April 1, 2025 through June 30, 2025

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