



**October 1, 2018**

**To:** Executive Committee

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

**Subject:** Measure M2 Quarterly Progress Report for the Period of April 2018 Through June 2018

### **Overview**

Staff has prepared a Measure M2 quarterly progress report for the period of April 2018 through June 2018, for review 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 rebranding M2 externally to OC Go to promote OCTA's Measure M awareness and public perception, as well as to avoid confusion with the recently approved, similarly named Los Angeles 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 April 1, 2018 through June 30, 2018 (Attachment A).

The quarterly report is designed to be easy to navigate and public friendly, reflecting OCTA's Strategic Plan transparency goals. The report includes budget and schedule information provided from the Capital Action Plan, and Local Fair Share and Senior Mobility Program payments made to cities during the quarter, as well as total distributions from M2 inception through June 2018.

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

### **Market Conditions Tracking**

In 2017, a Market Conditions Forecast and Risk Analysis was conducted to analyze current demands on resources and provide information on the impact on OCTA's delivery of M2 projects. The results of the analysis were presented to the Board in September 2017. Overall, the consultant's analysis identified a strong potential that during the Next 10 delivery years, OCTA will experience an increasing cost environment. This, coupled with a continued reduction in revenue, present challenges in the delivery of M2 and the Next 10 Delivery Plan (Next 10 Plan).

Following the presentation, the Board discussed the benefit of receiving annual sales tax revenue forecasts providing insight on the M2 revenue picture, and that equally important would be for the Board to be aware of what is taking place from a market/cost side of delivering the M2 Program. The Board directed staff to continue to work with the consultant. During 2018, the consultant team analyzed annual trends in material costs, labor costs, and general economic conditions to determine a range of potential cost impacts. This analysis resulted in the creation of a cost pressure index, which provides a range of potential cost fluctuations looking out at a time horizon through 2020. A summary of the results of this effort was presented to the Board on September 10, 2018.

### Next 10 Delivery Plan

In November 2016, the Board adopted the Next 10 Plan, providing guidance to staff on delivery of M2 projects and programs between 2017 and 2026, based on the 2016 sales tax revenue forecast of \$14.2 billion. As a result of a reduction in the revenue forecast, staff reviewed, and provided an update to the Board in November 2017. In July 2018, the Board received a preliminary revised revenue forecast of \$13.1 billion. As a result, staff once again reviewed and updated the Next 10 Plan. The results of this effort were presented to the Board in September. The review proved that the 2018 updated Next 10 Plan continues to remain deliverable. The 2018 Next 10 Plan was approved by the Board at the September 10, 2018 meeting. The Next 10 Plan provides not only guidance on the ten-year period, but also looks forward through 2041 to ensure that the cash flow supports delivery of the entire M2 plan of projects and programs as promised in Ordinance No. 3.

### Safeguards

The M2 Ordinance includes a requirement for a performance assessment to be conducted at least once every three years to evaluate OCTA's efficiency and effectiveness in the delivery of M2, as promised to the voters. Three prior performance assessments have been completed covering fiscal year (FY) 2007 through FY 2009, FY 2010 through FY 2012, and FY 2013 through FY 2015. Findings and recommendations from assessments are presented to the Board, and recommendations are implemented as appropriate. Sjoberg Evashenk Consulting was selected to conduct the fourth performance assessment covering the period between July 1, 2015 and June 30, 2018. Site visits, staff, and external stakeholder interviews will take place next quarter. A final report is anticipated to be brought to the Board in spring 2019.

### Progress Update

The following provides an overview of M2 accomplishments to date by mode, as well as highlights of activities that occurred during the fourth quarter of FY 2018.

#### **Freeway Program**

The M2 Freeway Program currently consists of 27 projects or project segments identified in the Plan and approved by the voters to be delivered by 2041.

Currently, while in year seven of the 30-year program, 12 segments are complete, with one in construction and another five readying for construction. The remaining nine segments are in various stages of project development, with two of those slated to go into construction, and be complete or nearing completion by 2026.

Key freeway project activities taking place this quarter are highlighted below.

- Bids for the Interstate 5 (I-5) between State Route 55 (SR-55) and State Route 57 (SR-57) project were opened on May 8, 2018. The three lowest bidders were deemed “unresponsive” as each of the low bidders was unable to produce required documentation. Following the quarter’s end, all remaining bidders rescinded their offers. As a result, the California Department of Transportation (Caltrans) will rebid the project. Through the rebid process, staff anticipates a new bid opening on October 18, 2018. (Project A)
- The I-5 between Interstate 405 (I-405) and SR-55 draft environmental document was circulated to the public May 8 – June 8, 2018. Two open house format public hearings were held in late May. Comments from local jurisdictions and businesses stressed a desire to choose the alternative that has equivalent traffic benefits with reduced business and the community impacts. (Project B)
- The I-5 between Oso Parkway to Alicia Parkway/La Paz Road Interchange Project is ready-to-list for construction bids. Advertisement is scheduled for October 2018. (Project C and Project D)
- Pursuant to the Transportation Infrastructure Finance and Innovation Act loan agreement for the I-405, between State Route 73 and Interstate 605 project, OCTA submitted the first reimbursement request for \$165 million and received that amount on April 16, 2018. OCTA also held six open houses along the corridor in May and June 2018 to discuss the initiation of construction with the communities adjacent to I-405. Construction of the first bridge began in August, and four more bridges will start construction by the end of the year. The project is scheduled to be completed in 2023. (Project K)

### **Streets and Roads**

Since 2011, \$735 million has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. To date 249 projects have received more than \$393 million, including \$42 million in external funding, through eight rounds of funding. Additionally, M2 provided a portion of the \$664 million to grade separate seven rail crossings. M2 successfully leveraged the majority of the funds (\$520 million) from local, state, and federal sources.

The Board approved programming recommendations for the eighth call for projects (call) for both the 2019 Regional Capacity Program (RCP {Project O}) and the 2019 Regional Traffic Signal Synchronization Program (RTSSP {Project P}). Key streets and roads project activities taking place this quarter are highlighted below.

- On June 11, 2018, the Board awarded \$32 million of M2 funding to 11 projects for the 2018 RCP call. (Project O)
- Also on June 11, 2018, the Board awarded six projects for the 2018 RTSSP call, funding \$8.9 million with M2, and leveraging \$6.6 million from SB 1 (Chapter 5, Statutes 2017). (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 also provides funding for rail station improvements and transit connections to extend the reach of the services.

Since 2011, Metrolink ridership in Orange County has increased 16 percent. Additionally, M2 provides competitive funding commitments for local bus community circulators (\$43.6 million to date), bus stop improvements (\$1.5 million to date), and funding to support specific programs to help meet the needs of seniors and persons with disabilities (\$58.9 million to date). Key transit project activities taking place this quarter are highlighted below.

- On June 19, 2018, four of the five prequalified construction bidders submitted bids for the OC Streetcar Project. Staff conducted a bid responsiveness review of the four bids. Two of the four firms were found non-responsive, and Walsh Construction Company II, LLC was found to be the lowest responsive, responsible bidder. On September 24,

the Board authorized the Chief Executive Officer to negotiate and execute the construction contract. (Project S)

- Also, on June 25, 2018, the Board approved the third round of Community-Based Transit/Circulators Program funding, in the amount of \$6.8 million, for six transit projects. (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 off-sets biological impacts of freeway projects.

Since 2011, the ECP has provided \$20.1 million to local jurisdictions through a competitive process, which funded 154 grants for trash removal devices. More than 6.2 million cubic feet of trash (or over 2,600 forty-foot shipping containers) have been captured so far. In September 2018, the Board approved the programming recommendations for the eighth ECP Tier 1 call, awarding approximately \$2.5 million to 12 projects.

The Board has 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. With the established endowment, the wildlife and habitat on the acquired lands are protected in perpetuity. Key program activities during this quarter are highlighted below.

- In consultation with the local fire authority, staff is preparing fire management plans (Plans) for the seven preserves. These Plans are a requirement of the Conservation Plan and require approval by the United States Fish and Wildlife Service and the California Department of Fish and Wildlife. The Plans are anticipated to be complete in 2020.

### **Challenges**

Given current market trends pointing to higher construction costs in project delivery, it is imperative that OCTA continue to closely monitor construction bid activity and update project cost estimates as appropriate. Recommendations on how to mitigate this challenge were included in separate staff reports in the Next 10 Plan: Market Conditions Forecast and Risk Analysis, and the 2018

update of the Next 10 Plan. Both reports were presented to the Board on September 10, 2018. Recently, OCTA experienced a set back with the bidding of the I-5 between SR-55 and SR-57 (Project A). While eight bids were received for this project, all eight were found either non-responsive due to failure to meet Disadvantage Business Enterprise (DBE) goals or backed out after time elapsed and the bids expired. While the exact reasons for this is unclear, the high volume of work in the region is putting a lot of demand on the construction industry's resources and making the ability to respond adequately to invitation for bids more difficult. This is likely to create additional challenges in the near-term for project delivery.

Another project that may be affected by the changing market conditions is the I-5 between State Route 73 and El Toro Road Project (three segments of Project C and Project D). The OCTA cost estimate for this project is \$557.11 million, which is above the \$500 million threshold for a "Major Project" designation, as determined by the Federal Highway Administration (FHWA). Major projects require a Cost Estimate Review (CER) Workshop, and a CER was conducted by the FHWA, Caltrans, and OCTA in February 2018. The CER process estimated that the project may require additional funding up to \$55.75 million. While OCTA estimates indicate the project funding need may be lower, FHWA requirements necessitate that OCTA demonstrate sufficient funding. In June, the Board authorized an increase of \$55.75 million to the project, increasing support costs up to \$612.86 million. The segment from Oso Parkway to Alicia Parkway is scheduled for advertisement for construction bids in August 2018. Cost estimates for the other segments of the I-5 Improvement Project, which are scheduled for advertisement in 2019, will be revisited after Segment 2 construction bid opening to determine if project escalation is warranted.

Another project staff is closely monitoring is the completion of the environmental phase for the I-5 between SR-55 and I-405 (Project B). The environmental document is nearing completion, and Caltrans will soon be selecting the preferred alternative to move forward into design. Two build alternatives were studied for this project with one having more design variations than the other due to tight right-of-way constraints in the project area. While both provide an additional lane in each direction resulting in the same capacity improvement and equal operational benefits, OCTA staff does not support the full standard alternative due to community and business impacts and lack of community support, as well as the desire to adhere to the M2 goal of minimizing right-of-way impacts.

OCTA continues to be challenged with lower than anticipated sales tax revenues. The 2018 reduced sales tax revenue forecast and Proposition 6, a repeal effort of the SB 1 (Chapter 5, Statutes 2017) gas tax on the November 2018 ballot, are two areas that are of particular concern.

OCTA has been very successful in capturing external funding in past years to offset the reduction in sales tax revenue, and in the past year alone captured \$291 million in state and federal funding. In the 2018 State Transportation Improvement Program (STIP) update, OCTA received approximately \$31.17 million over Orange County's share target. While the M2 cash flow includes only a small amount of SB 1 competitive funding, if Proposition 6 is approved and the gas tax funding is repealed, staff anticipates that up to \$170 million of formula funding programmed in the STIP for M2 projects could be deprogrammed or delayed, impacting M2 delivery schedules as the state looks to traditional funding sources to address highway operation and maintenance costs and open contracts.

Finally, another external funding issue is the pending receipt of the full funding grant agreement for the OC Streetcar. On September 6, 2018, the Federal Transit Administration (FTA) updated the FY 2018 Section 5309 fixed-guideway capital investment grant allocations and included an allocation of \$98.96 million for the OC Streetcar. With all funding allocated, the full funding grant agreement can be processed through its final steps towards execution. The FTA and the Orange County Congressional Delegation continue to show strong support for the project, and with the federal funding package in place, finalized grant approval should be forthcoming.

M2 project delivery is monitored closely, and progress, as well as challenges, are presented to the Board through these quarterly staff reports, individual project staff reports, as well as through the Capital Action Plan quarterly performance metrics reports from the Capital Programs Division.

***Summary***

As required by M2 Ordinance No. 3, a quarterly report covering activities from April 2018 through June 2018 is provided to update progress in implementing the Plan. The above information and the attached details indicate significant progress on the overall M2 Program. 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***

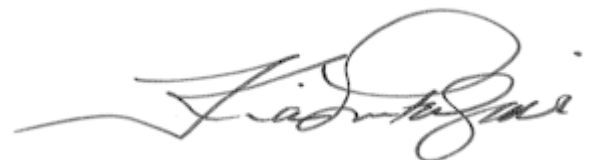
- A. Measure M2 Progress Report, Fourth Quarter Fiscal Year 2017-18, April 1, 2018 through June 30, 2018

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