



December 3, 2018

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Handwritten signature: J. Kenneth Rizzo for

Subject: Measure M2 Quarterly Progress Report for the Period of July 2018 Through September 2018

Overview

Staff has prepared a Measure M2 quarterly progress report for the period of July 2018 through September 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 July 1, 2018 through September 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 September 2018. Additionally, Attachment A includes a summary of the Program Management Office activities that have taken place during the quarter. Two areas in particular are highlighted below.

Next 10 Delivery Plan

Annually, OCTA reviews the M2 Program assumptions and updates the cash flows as needed based on changes to the revenue forecast. In July 2018, the Board received a preliminary revised M2 sales tax revenue forecast of \$13.1 billion, which was \$400 million lower than the previous year. Additionally, at the Board's direction, staff also monitors cost pressure indicators related to delivery of infrastructure projects. With a rapidly changing construction market, staff looked to our contracted local economists for insights to better anticipate cost implications to our freeway program delivery. The consultant team analyzed annual trends in material costs, labor costs, and general economic conditions to determine a range of potential cost impacts, and a presentation was provided at the Board meeting on September 10, 2018.

As a result of a lower revenue forecast and the potential of higher costs in the near term as it relates to freeway delivery, staff prepared an updated 2018 Next 10 Plan, which incorporated protections into the cash flow. During the cash flow update, staff developed and analyzed two scenarios: one with current programmed commitments, which assumed current law with SB 1 (Chapter 5, Statutes of 2017) in place, and a second scenario in the event of a repeal. The result of this effort demonstrated a delivery plan that remains solvent.

The updated 2018 Next 10 Plan was approved by the Board at the September 10, 2018 meeting. On November 6, 2018, California voters rejected the gas tax repeal, preserving SB 1, which stabilizes state external revenue and provides for reduced risk to the Next 10 deliverables.

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. During this quarter, the consultant conducted site visits and interviewed staff and external stakeholders. 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 first quarter of FY 2019.

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

- After the three lowest bidders were deemed "unresponsive" and the remaining bidders rescinded their offers, the California Department of Transportation (Caltrans) rebid the Interstate 5 (I-5) between State Route 55 (SR-55) and State Route 57 (SR-57) project on August 18, 2018. Through the rebid process, bids were opened on October 18th. The apparent low bidder was 2.15 percent below the engineer's estimate. The contract is anticipated to be awarded in late 2018. (Project A)

- Relief of maintenance was issued on August 23, 2018 for the I-5 between Avenida Pico to Avenida Vista Hermosa/Avenida Pico Interchange Project, meaning the project is deemed complete and Caltrans resumes responsibility. (Project C and Project D)
- Relief of maintenance was issued on July 3, 2018, for the I-5 between Pacific Coast Highway to San Juan Creek Road Project, meaning the project is deemed complete and Caltrans resumes responsibility. (Project C and Project D)
- The 100 percent plans, specifications, and estimates for I-5 between State Route 73 (SR-73) and Oso Parkway/Avery Parkway interchange were submitted to Caltrans on August 30, 2018. (Project C and Project D)
- In July, OCTA held neighborhood meetings in anticipation of the demolition and construction of the McFadden Avenue and Slater Avenue bridges for the Interstate 405 (I-405) between SR-73 to Interstate 605 Project. The first bridge construction began in August with the demolition of the McFadden Avenue bridge, followed by the Slater Avenue bridge at the end of September. Additionally, OCTA's toll lanes system integrator, Kapsch, is now under contract and working with OCTA and the design-builder. (Project K)
- All technical reports, the draft environmental document, and the draft project report were finalized for the SR-57 between the Orangewood Avenue and Katella Avenue Project. The public review/circulation period was held from October 11th to November 9th, with a Public Hearing on October 25th.
- The final project report and environmental document for the I-405 between I-5 and SR-55 were completed in August. The Next 10 Plan sets direction through 2026; as projects listed are completed, schedules and revenues will be reviewed, and the Board will adopt a new delivery plan providing direction on further project advancement. This project is shelf-ready for future advancement. (Project L)

Streets and Roads

Since 2011, \$744 million has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. Key streets and roads project activities taking place this quarter are highlighted below.

- On August 13, 2018, the Board authorized staff to issue the 2019 annual call for projects (call) for the Regional Capacity Program, providing \$32 million for potential projects. (Project O)
- Also on August 13, 2018, the Board authorized staff to issue the 2019 annual call for the Regional Traffic Signal Synchronization Program, providing \$8 million for potential projects. (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. Key transit project activities taking place this quarter are highlighted below.

- On August 27, 2018, the Laguna Niguel to San Juan Capistrano Passing Siding Project was advertised for construction, and seven bids were received on October 22, 2018. The lowest bidder was \$3 million over the engineers estimate of \$14 million and, as a result staff, is reevaluating the project budget to determine the next step. (Project R)
- On July 9, 2018, the Board approved the revised funding plan for the OC Streetcar Project, which approved the use of up to \$108.41 million in additional M2 Transit Extensions to Metrolink Program funding. The overall project cost was increased to \$407.76 million. (Project S)
- The Federal Transit Administration notified OCTA of its intention to sign the Full Funding Grant Agreement for the OC Streetcar on November 30, 2018, following a 30-day Congressional review period, which is underway. (Project S)
- In August, OCTA began conducting outreach to seek feedback from the public on the vehicle design options that were reviewed by the Board. The Board selected the final design on November 12, 2018. (Project S)
- On September 24, 2018, the Board authorized the Chief Executive Officer to negotiate and execute the construction agreement between OCTA and Walsh Construction Company II, LLC, in the amount of \$220,538,649. Construction is anticipated to begin in late 2018. (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 off-sets biological impacts of freeway projects. Key program activities during this quarter are highlighted below.

- On September 10, 2018, the Board approved the programming recommendations for the eighth ECP Tier 1 call, awarding approximately \$2.5 million to 12 water quality improvement projects. (Project X)
- In September 2018, the Eagle Ridge and Pacific Horizon Preserves resource management plans (RMPs) were finalized, marking the completion of RMPs for each of the seven EMP Preserves. (EMP)

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.

One project that may be affected by the changing market conditions is the I-5 between SR-73 and El Toro Road Project (three segments of Project C and Project D). While OCTA estimates indicate the project funding need may be lower, Federal Highway Administration requirements necessitated OCTA increase project funding. 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 in January 2019 to determine if project escalation is warranted. Additionally, the San Juan Capistrano-Laguna Niguel Passing Siding Rail Project received bids above the engineer's estimate (Project R). Staff is working to review and update the project budget and will report to the Board.

Staff is working closely with Caltrans to complete the environmental phase for the I-5 between SR-55 and I-405 (Project B). The environmental document is nearing completion; however, the alternative selection has been delayed due to lack of agreement over design variations needed to limit right-of-way impacts to businesses and communities.

Another issue staff is working with Caltrans to resolve is whether OCTA will be required to revise the completed design plans for the I-5 between SR-73 to Oso Parkway Project submitted to Caltrans for approval. A recent update to the Caltrans highway design standards requires a larger median barrier which affects the layout of the freeway lanes. Incorporating this change at this time would mean a significant amount of rework to plan sheets, resulting in increased design costs.

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 July 2018 through September 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, First Quarter Fiscal Year 2018-19, July 1, 2018 through September 30, 2018

Prepared by:



Tamara Warren
Manager, Program Management Office
(714) 560-5590

Approved by:



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